Budget Address
March, 1984

The Hon. Bob Andrew
Minister of Finance

Province of
Saskatchewan

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Mr. Speaker:

I rise this evening to present the third budget of this administration.

Tonight, I will announce a major new program of economic development initiatives designed to mobilize the full range of Saskatchewan's resources and talents to generate new investment and new employment.

In constructing this budget, I benefited from the suggestions of a large number of individuals, groups and organizations, and from the ideas of my colleagues. Let me begin by expressing my gratitude to all who assisted me. Many of their suggestions and ideas are incorporated in my remarks.

In last year's budget, which coincided with the end of the national recession, we put the main emphasis on job creation measures designed to have an immediate impact. While Canada has not yet regained all of the jobs lost during the recession, we in Saskatchewan have done better and already have more jobs than we did before the downturn. Our province continues to have the lowest unemployment rate in Canada.

We also took the decision to allow the deficit to rise for a second year in succession. This was a necessary short-term measure to counteract the effects of the recession. But two years of increasing deficits are enough.

Over the last year the Canadian economy has experienced the beginnings of a recovery. We have seen a return of consumer and investor confidence, greatly reduced inflation rates, and increased production.

The consensus is that Canada has ahead of it a period of renewed opportunity in which those who act with confidence will be rewarded.

Yet the recession has left in its wake some troubling after-effects. Our country is confronted with unacceptably high unemployment rates, particularly among young people, a temporarily weakened business sector, and extremely high deficits.

We face, in consequence, a paradox. Now is clearly the time to act if we are to capture the opportunity of renewed growth and prosperity. Yet the capacity of all governments to respond in traditional ways is curtailed by the tightening grip of budgetary deficits.

The response of some may be to cut back programs and raise taxes in a single-minded drive to eliminate these deficits. In our view,

this would produce neither confidence nor stability. We cannot expect to foster enthusiasm and a sense of common purpose by cutting the programs that people rely on for their health and personal security. And major increases in personal income tax or sales tax can only dampen the recovery.

I believe the conclusion facing all governments is that we must find new approaches to the challenges we face.

Our first two budgets began this process.

We started by shifting the emphasis from an over-reliance on direct government intervention, to a more balanced approach involving government and business. We reaffirmed our belief in the business sense of the people of Saskatchewan.

We also made it a priority to end Saskatchewan's status as a province that our own investors leave, and others fly over. The Premier and other Cabinet Ministers are devoting much time and effort putting Saskatchewan back on the business map.

And perhaps most importantly, we emphasized that Saskatchewan must first build on its strengths. Our agricultural sector is efficient, innovative, cost-conscious and internationally competitive. We have potash, minerals, oil and natural gas. All of these products contribute to our province's wealth and all must be given the chance to flourish.

This evening's budget reinforces these approaches.

Yet we are at a turning point. We need a forward-looking budget that introduces a new set of tools to deal with our emerging economic opportunities.

In preparing this budget, I began with the following principles:

First, now is the time to reduce the deficit.

Second, if at all possible, there should be no increase in either personal income tax or sales tax.

Third, we must find new ways to encourage economic growth and create long-term jobs.

Fourth, we will not contemplate cuts in spending for basic health and education programs.

This budget, I believe, fulfills these principles.

In this evening's budget I will announce:

- major new programs to increase investment in new and existing businesses;
- specific measures to increase the stability and reduce the costs of agriculture — our major industry;
- initiatives to stimulate the housing, mining, tourism and forestry sectors;
- a significant tax cut for our smaller manufacturing and processing firms;
- important new initiatives for senior citizens;
- expanded funding for basic health and education programs;
- new welfare and employment policies to emphasize skill training and job placement;
- immediate job measures for our young people;
- a significant new public sector salary policy; and,
- opportunities for Saskatchewan people who wish to invest in our Crown corporations.

Economic Development and Investment

Before describing these policies in detail, I want to underline the fact that the ultimate objective of every economic development policy is the creation of permanent jobs. Whatever short or long-term goals we set ourselves, and whatever orthodox or innovative means we use to reach them, the objective is to ensure that the people of this province find worthwhile and challenging jobs.

Small Business

This government believes that much of our future growth will come from businesses which have not yet been started, or which are still fairly small. We need to give them reason and room to grow. We must in particular deal directly with the shortage of venture capital which has prevented many small enterprises from becoming large ones.

The shortage of risk capital stems from the fact that we, as a people, are savers rather than investors. Now is the time to intensify our efforts to encourage Saskatchewan people to invest in Saskatchewan enterprise.

I am announcing this evening a new tax credit program — the first of its kind in Canada — to encourage Saskatchewan people to invest in new enterprises in our province.

The personal and corporate tax systems will be used to provide tax incentives, rewards if you like, to investors who supply capital to our growing industries.

Several specific tax credits will be established under the umbrella of the Saskatchewan Tax Incentives Program.

This new program will use direct tax incentives to encourage investment in a wide variety of businesses and will be an extremely important instrument to encourage economic activity in the province. It will reward with tax credits those who provide investment funds, in much the same way as R.R.S.P.'s reward those who provide for their own retirement.

This year we have chosen two applications for the Saskatchewan Tax Incentives Program:

(1) a Livestock Investment Tax Credit, which I will describe more fully with our other agricultural initiatives; and,

(2) a Venture Capital Tax Credit.

The Venture Capital Tax Credit will offer a 30 per cent provincial income tax credit to investors in venture capital corporations providing equity capital to small manufacturing, processing, tourism and research and development firms. For example, an individual investing $5,000 in a venture capital corporation will receive $1,500 back from the provincial government. It is expected that approximately $5 million in tax credits will be earned each year, generating over $16 million in new investment annually, commencing with the 1984 tax year.

But more is needed to encourage investment and new jobs in our manufacturing and processing sector. I am therefore pleased to announce three further initiatives for this purpose.

First, the Minister of Economic Development and Trade will be introducing legislation to establish the Industrial Incentives Program.

Under this program, $12 million will be set aside to provide one time payments of $7,500 for each new permanent job created by manufacturing and processing firms. Current projections are that this program will create over 1,500 new permanent jobs.

Second, I am pleased to announce tonight a major tax cut for small businesses. Commencing January 1, 1984, the provincial corporate tax rate levied against manufacturing and processing income earned by Saskatchewan small businesses will be eliminated. This tax reduction will encourage successful companies operating in manufacturing and processing to invest more in those industries. Small businesses will save approximately $4 million annually from this tax change.

Third, as a further measure to help small businesses, in this case those working to develop new technologies, the sales tax will be eliminated on research and development prototypes.

In my consultations with the small business community, I found concern with the unpredictability of interest rates.

This has led to a shortage of fixed interest rate loans, which in turn has deterred many needed investments in Saskatchewan businesses.

To provide a supply of longer term capital, the province will, where necessary, place deposits with financial institutions offering long-term, fixed-rate loans to finance new and expanded businesses.

In addition, the Minister of Tourism and Small Business will be making announcements about the future role of Sedco.

Targetted tax cuts, and improved access to equity and risk capital, will help Saskatchewan small businesses grow and provide more jobs throughout the province.

Agriculture

The Saskatchewan farmer is the central figure in our economy.

As a government, we have been committed to the promotion of a growing and financially stable agricultural sector. In only fifteen months of operation, the new Farm Purchase Plan has helped 2,500 farmers purchase their land, and this year we expect to assist a further 1,350 farmers with an additional $150 million in loans.

In this budget we will address the difficulties facing farmers because of the current international cycle of low prices and rising costs. I will also describe measures to encourage our livestock industry.

To deal with the cost-price squeeze we are introducing a number of measures to reduce or stabilize farm costs.

- The Agricultural Credit Corporation has relaxed eligibility criteria, reduced interest rates, and substantially increased the loan maximum.
- A $4 million fund will be established to assist financially troubled farmers with viable operations who need temporary assistance. This will be a government-funded but farmer-run program.
- Increased financial assistance will be available to farmers wishing to develop irrigation systems.

These three measures address specific difficulties now confronting some farmers, and they will be described more fully in the next few days by the Minister of Agriculture.

The fourth initiative in this package is aimed at reducing costs for all farmers.

- It gives me great pleasure to announce a significant new tax cut for farmers. In 1984 we will introduce a Home Quarter Tax Assistance Program to completely eliminate school property taxes on the home quarter. This will provide $11 million in tax relief.

We also need diversification within our agricultural industry. One alternative for our farmers has been livestock production. Unfortunately, over the past decade, Saskatchewan's red meat industry has been plagued by unstable prices, uncertain markets, and rising costs. We would all like to see the number and size of our herds increase; the fact is, they have actually declined since 1975. The majority of our feeder cattle produced in Saskatchewan continue to be finished outside the province. This represents a yearly loss of $225 million to our economy.

We need to direct more investment dollars to our red meat producers and we must promote the establishment of more feedlot operations.

I described earlier the Saskatchewan Tax Incentives Program and the Venture Capital Tax Credit being set up under it.

I am announcing this evening a new Livestock Investment Tax Credit for farmers.

The tax credit will be $25 per head of cattle owned and fed for a minimum of 75 days in the province, and $3 per head for hogs and $2 per head for lambs owned and fed for a minimum of 60 days in the province.

All livestock slaughtered at federally licensed and graded plants outside of Saskatchewan as well as all those slaughtered at plants in Saskatchewan will qualify.

For every 100 head of cattle marketed, the farmer or investor will have his income tax

reduced by approximately $2,500 per year.

This measure will apply to all finished livestock sold for slaughter after midnight tonight.

This tax incentive will encourage development both in the livestock finishing industry and in the related industries of slaughtering, feed mill operations and meat processing. Approximately $5 million in tax credits will be earned annually, commencing with the 1984 tax year.

The Minister of Agriculture will be introducing legislation that will describe in detail the Livestock Investment Tax Credit.

As a further measure to strengthen the livestock industry, the government will guarantee operating loans for feedlot and custom finishing operations.

For beef producers having difficulty getting assured supplies of feed grains at predictable and reasonable prices, a feed grain marketing mechanism will be established to coordinate the marketing of feed grains between producers and users.

These seven initiatives I have just announced will have a lasting impact on agriculture in this province. Our farmers have been threatened — threatened by the cost-price squeeze which operates despite the efficiency of our farm sector — and threatened by actions of the federal government which shows no regard for the position of Saskatchewan farmers or the contribution they make to Canada's prosperity. We recognize that contribution and we support our farmers.

Minerals

We have already taken steps to revitalize our oil industry by introducing royalty holidays. This has been an enormous success and has resulted in the most significant increase in oil activity in Saskatchewan history.

Land lease sales reached a record high of $124 million in 1983-84. The number of new oil and gas wells drilled doubled to another record of 1,843 in 1983 and oil production increased 20 per cent from 51 million barrels in 1982 to 61.1 million in 1983. This expanded activity has produced almost 1,000 direct jobs in Saskatchewan.

As well, our natural gas industry is experiencing vigorous growth as a result of significant new sales to the Saskatchewan Power Corporation. By using our own resources, we will develop and create jobs in Saskatchewan.

Saskatchewan also has vast areas which remain mostly unexplored for mineral deposits. In the next few days, the Minister of Energy and Mines will be unveiling a new strategy to encourage the development of the gold and base metals industry in northern Saskatchewan.

While taking full advantage of the richness of our mineral resources, we must guard against environmental damage. We are setting up a $1 million fund to enable us to act quickly in response to any environmental threat posed by oil and gas development. We are also maintaining the practice of putting $1 million in the Environmental Protection Division of the Heritage Fund for each new uranium mill.

Forest Management

We intend to introduce long-needed improvements in the management of our forest resource to encourage more efficient harvesting and reforestation. At present the industry is burdened by out-dated royalty regimes and inadequate forest management practices.

The government is negotiating a new royalty system which will encourage substantial increases in forest renewal activity.

As well, the Minister of Parks and Renewable Resources will soon be announcing policies to give more opportunities to the smaller operators without threatening the viability of the larger Crown and private companies.

These changes in policy will help produce jobs in both forest harvesting and forest renewal operations.

Tourism

Another major sector of the provincial economy with great potential is the tourist industry. Since taking office, we have worked hard to promote Saskatchewan as a tourist destination both for our own citizens and for other North American travellers. This budget contains increased funding for these important promotion efforts.

I am pleased to announce a series of major capital projects at a number of provincial park sites. Over the next 3 years, we will spend $3 million to transform Diefenbaker Lake into a major tourist attraction. The project will include construction of an 18 hole golf course, marinas, restaurants and other facilities.

Other major projects will also be undertaken at Black Strap, Wapiti, Pike Lake, Regina Beach and Meadow Lake. My colleague, the Minister of Parks and Renewable Resources, will announce the details shortly. He will also announce details of a new fund, using fishing license fees to support enhancement of our sport fishing resources.

Construction

I would now like to turn to the construction industry. Over the past two years the industry has been rejuvenated by the Mortgage Interest Reduction Plan and the Build-a-Home Program. I estimate these two programs have injected over $67 million into the industry since we took office. Further steps are now required to encourage a high level of activity and employment in the construction industry. New assistance will be directed into two areas of particular need.

First, while the number of single family homes available for sale in Saskatchewan has increased substantially over the past year and a half, there has been no comparable increase in rental accommodation.

To increase the supply of rental accommodation, the government is establishing a self-supporting fund, which will grow to $6 million, to provide builders with second mortgage financing. This program should result in the construction of 650 new units. These units will cost the government much less than those built directly with government funds.

Second, the Task Force on Senior Citizen Housing focused attention on the needs of homeowners who wish to stay in their own homes but have difficulty undertaking necessary repairs and maintenance.

Effective August 1, 1984, we are pleased to introduce a new five-year Senior Citizens' Home Repair Program. Grants of up to $1,000 will be available to help Saskatchewan's seniors repair and modernize their homes. This program will assist small repair and renovation contractors and tradesmen, and upgrade some of our older homes. Most importantly, it will enable owners who have put a lifetime into their homes to keep them, even though they may no longer be able to afford or perform the maintenance work themselves.

As an additional step to help the construction industry, and related businesses, I am announcing this evening that a capital construction program of over $1.2 billion will be undertaken this year by the government and the Crown corporations. I expect this program to support 9,000 jobs.

Crown Corporation Reform

No economic strategy can ignore the sizeable role that Crown corporations have come to play in the Saskatchewan economy. The province has a significant investment in these Crown corporations, amounting to $7 billion or about $7,000 for every resident in the province.

For good or ill, our economic fortunes have come to be linked to the success of these corporations. It is therefore essential that they be managed in a business-like and forward-looking manner.

Since coming into office, we have taken positive steps to improve their performance and accountability, including the establishment of the Public Utilities Review Commission (P.U.R.C.).

Tonight, I have a number of new announcements relating to Crown corporations.

To date the people of Saskatchewan have had no opportunity to invest directly in their Crown corporations. Neither have they been able to exert any degree of direct control over these massive investments.

We believe that the people of Saskatchewan should be provided with an opportunity to participate directly in these corporations.

I am pleased to announce that two new investment vehicles for the people of Saskatchewan will be introduced:

First, Saskatchewan Power Savings Bonds will be offered to Saskatchewan residents. These bonds will provide a fixed rate of interest and their value will be guaranteed by the government.

Second, participation bonds will be offered for the Saskatchewan Oil and Gas Corporation. These bonds will offer a lower fixed rate of interest coupled with an opportunity to share in the profits generated by the firm. Saskatchewan residents who own these bonds will have the right to elect a number of Saskatchewan residents to the SaskOil Board of Directors. This is a major innovation.

These new bonds will help keep more money working in Saskatchewan to create jobs and promote economic development.

I stress tonight that all steps taken to allow greater participation by Saskatchewan residents will be designed to ensure that the people of Saskatchewan keep control of our Crown corporations right here in Saskatchewan.

I will have more to say about Crown corporation reform in the days ahead.

I turn now to the question of utility charges.

Saskatchewan families are fortunate to have among the lowest power, telephone and basic car insurance rates in Canada. Future rate increases will continue to be scrutinized by the Public Utilities Review Commission.

This government is committed to minimizing the burden of utility rate increases.

Recently, my colleague, the Minister responsible for Saskatchewan Telecommunications announced that no increases would be requested for basic telephone services for 1984.

The Minister responsible for Saskatchewan Government Insurance announced that no increases in rates, on average, will be requested under the Saskatchewan Auto Fund.

I am pleased to announce further steps by this government to hold down utility charges:

Saskatchewan Power will be requesting no overall increase in natural gas rates in 1984.

Unavoidably, Saskatchewan Power's electrical rates will be increasing later this year. P.U.R.C. has already approved a 9.7 per cent average increase for 1984.

To cushion these increases, effective April 1, 1984, I am pleased to announce that the provincial sales tax on electricity consumed in homes and on farms will be eliminated. Removing the sales tax from these electrical bills will save Saskatchewan residents $5 million this year.

These measures will have a significant restraining effect on increases in total Sask Power bills. For an average farm or urban household, power bills for gas and electricity will increase less than 5 per cent this year.

Utility costs also represent a major cost in the operation of public recreation facilities. For this reason, I am pleased to announce that the sales tax will be removed from the utility bills for skating rinks, curling rinks and swimming pools operated for the general public. This new tax exemption will return about $1 million to community organizations this year.

Social Programs

Tonight, I have announced major economic policies that will strengthen our economy and provide jobs. I have also announced that we intend to take steps to reduce the level of the provincial deficit.

I am pleased to say, however, that I have been able to accommodate these measures without cutting into our essential health and education programs. On the contrary, although the overall increase in budgetary spending for the government as a whole is 4.9 per cent, I have set aside an increase for health and education of over 7 per cent. This was made possible, in part, by using the $30 million Special Projects Fund that we established last year.

Health Care

As a consequence of these provisions, health expenditures will exceed the $1 billion mark in 1984-85 for the first time. This is roughly equal to the total amount of revenues generated by personal income tax and the sales tax combined.

The Minister of Health will announce the details of our health budget in the next few days. Among the highlights will be:

- over $26 million for hospital construction;
- measures to reduce waiting lists in Saskatoon;
- new funding for ambulance services, chiropody and lifestyles awareness programs.

I am pleased to announce that we are extending the Saskatchewan Aids for Independent Living Program for the first time to provide assistance to the visually handicapped.

In addition, the Minister responsible for the Women's Secretariat will be announcing details of a new program which will address the increasing problem of violence against women. This program will incorporate a number of initiatives in various government departments.

Finally, we intend to act to deal with the chronic shortage of nursing home beds in the province.

In the five years prior to our coming to power, only 142 new nursing home beds were provided. In our first two budgets, this government has provided over 190 new beds.

In just two short years we have exceeded the five year record of the former administration.

But we recognize that this is not enough to meet the needs of our aging population. Mr. Speaker, it gives me a great deal of pleasure to announce this evening, a 5 year — $25 million nursing home construction program which will add 1,000 new beds and replace a further 500 existing ones.

Seniors

It is clear that we will have increasing numbers of senior citizens in our population. They deserve our support. I have already stated our commitment to provide more nursing home beds. This budget also contains three other major announcements for senior citizens.

First, we will provide $6 million on an annual basis to expand the number of long-term care beds in the province, to improve staff ratios and to expand home care and respite programs.

Second, as I indicated earlier, we will introduce a new, Senior Citizens' Home Repair Program. Over five years, this program will provide $20 million to help elderly people stay on in their homes.

Third, we will provide a major increase in the Saskatchewan Income Plan for seniors who live outside institutional care facilities. From the time the Plan was introduced in 1975, there has been only one cost-of-living increase —$5.

Effective July 1st, 1984 the rate for singles will be doubled, from $25 to $50 per month. The rate for couples will be increased from $45 to $75.

Combined with the recently announced increase in the federal guaranteed income supplement, this will mean an 18 per cent increase in the minimum monthly income for single senior citizens, 75 per cent of whom are women.

The combined effect of these two increases represents the single largest enrichment for Saskatchewan senior citizens since the Old Age Pension Plan was introduced in 1952.

Youth Employment and Skill Training

The economic development measures I announced earlier will go a long way to assist in the creation of permanent, high quality jobs for Saskatchewan people.

But there is one group in society which is particularly vulnerable to the effects of high unemployment, and that is our youth. We believe it is critically important that young people have the opportunity to find work and gain the self respect that comes with self-support.

There are three key measures we must take. The first is to ensure an adequate number of training places in our technical schools. This is already underway. I announced last year a four year plan to spend $120 million to expand technical institute capacity by 60 per cent. This budget contains funds for year two of the program, and I am pleased to report that we are on target.

However, many of the young people who cannot find work, lack the basic qualifications necessary to gain admittance to technical schools.

Consequently, I am announcing this evening a second new thrust to provide basic adult education for unemployed young people. 3,500 new spaces will be created over the next two years in our Community Colleges. This new approach will play an important part in our welfare reform plans.

However, the most important requirement is an immediate supply of jobs targeted directly at young people.

I am announcing this evening a six-point program designed to create 5,600 jobs for young people over the next few months. The components of the program are:

- A new Youth Employment Entry Program which will provide a subsidy of $2.50 per hour to employers hiring young people under 25 years of age.
- A new Summer Employment Scholarship to encourage businesses to offer summer apprenticeship placements to promising students.
- A New Careers Corporation, which will be established by the Department of Parks and Renewable Resources. The Corporation will hire, train and employ young people to build new recreation facilities at Diefenbaker Lake and other locations.
- Opportunities '84 which will build on last year's highly successful program for summer student employment.
- A new Employment Development Program which will provide productive opportunities for young welfare recipients throughout the province.
- Breakthrough: an employment program specifically for handicapped individuals.

Further announcements will be made by the Ministers involved in the next few days.

At the same time as we are placing a major emphasis on technical institute expansion, operating grants to both universities will be increased in 1984-85 by 5 per cent. And we will more than double the funding for capital construction. I believe this will compare very favourably with the levels of assistance being provided in other jurisdictions.

Welfare Reform

I turn now to the issue of welfare reform.

The existing system was designed in the 1960's and has become increasingly outdated.

First, the program fails to provide productive opportunities for welfare recipients to improve their employability. Little skill training is provided; no real incentive to find work is afforded.

Second, we sometimes seem to pay people on welfare to be unproductive and offer them no hope for the future.

Third, the program is overly complex and bureaucratic in nature with the result that accountability is diminished and program control is eroded.

The combined effect of these short-comings is that recipients tend to become dependent on the program and large amounts of time and money are spent administering an archaic system. Given that the cost of the program has doubled in the last two years, these problems have become even more critical.

We believe it is time for a new approach to welfare. The principles will be as follows:

First, anyone who is able to work will be helped to find a job. Where skill training is required, we will provide it. Where job creation can assist, we will undertake it.

Second, in situations where an appropriate job is not immediately available, we will encourage participation in community service. We will set up a volunteer placement service to make this feasible.

Third, where possible, no single person who is able to work should get more on welfare than they can from working. We will restructure the benefit scales to move toward this objective.

Fourth, under no circumstances will benefits to senior citizens be reduced.

Fifth, the structure of the program must be simplified to eliminate waste, overpayments, and abuse.

The job creation and skill training programs I described earlier are also important elements of these reforms. I believe we can begin to get people off welfare and back to work while at the same time preserving the protection for those genuinely in need.

Finally, I am pleased to announce an increase in the monthly maximum allowance under the Family Income Plan from $91 to $100 per child. This program which provides assistance to lower-income families with children, complements our welfare reform initiatives by emphasizing employment as a preferable alternative to welfare.

Local Government

Because of the limited powers of taxation assigned to our urban and rural communities, it is necessary for the province to supplement municipal revenues through a number of grant programs.

For 1984-85, the Government of Saskatchewan will continue to assist municipalities in meeting their needs and obligations:

- The Revenue Sharing pools will be increased by 5 per cent;
- $11 million will be provided under the Community Capital Fund and $5 million under the Cultural and Recreational Facilities Program;
- $4.6 million will be provided to assist in financing municipal transit operations; and,
- $1.5 million will be available for Regina Rail Relocation.

In addition, over $83 million will be provided to individual taxpayers in the form of property tax rebates. This does not include the $11 million in new property tax relief just announced for farmers.

These transfer programs were introduced in past decades in response to the concerns of the day. They have continued relatively unaltered into the 1980's.

If the continued financial viability of our municipalities is to be assured, an evaluation of the effectiveness of the major grant programs needs to be undertaken. In short, the

structure of intergovernmental fiscal relations in Saskatchewan may require a major overhaul and not just a tune-up, if the challenges of the 1980's are to be met. Two symptoms of the need for change are high property taxes, and recurring problems in the assessment process.

Consequently, a Commission will be created to review current and emerging issues as they affect municipalities, school boards, libraries and union hospitals. Through this process, which will lead up to a major Fall Conference on provincial-local government fiscal relations, I expect that we will be able to arrive co-operatively at solutions to the many issues confronting local government in Saskatchewan.

My colleagues, the Ministers of Urban Affairs, Education, and Rural Development will provide additional details in the next few days. Let me at this time express my thanks to Mayor "Scoop" Lewry of Moose Jaw, who first proposed the idea of a Provincial/Municipal Conference.

Finally, this budget contains over $24 million to finance the establishment, this spring, of the Saskatchewan Water Corporation. The corporation will begin by consolidating existing water programs, while preparing plans to make more effective use of Saskatchewan's water resource. The corporation's head office will be located in Moose Jaw.

Financial Management

Government Efficiency and Productivity

This government came to power determined to make the operation of government more productive and efficient.

Eighteen months ago we introduced our Economic Recovery Program, part of which was a set of public sector wage guidelines. For this second year of the program, the guidelines suggest that total compensation increases should not exceed 5 per cent. We continue to be very pleased with the adherence to these guidelines.

However, our recent analysis of public and private sector compensation suggests that relative to our traditional position in the labour market, Saskatchewan public servants have fared better than most.

It should be recognized that the public sector in Saskatchewan has a more significant impact on wage levels and trends than in many other jurisdictions where the private sector is more fully developed and influential in the overall labour market. Consequently, public sector compensation in Saskatchewan can have a great influence on the trend of settlements in the private sector.

I have stated before that costs must be controlled and productivity enhanced to ensure that we do not price our goods and services to the point where we are no longer competitive. It is necessary for the government as an employer to take a leadership role in containing the escalation of wage rates. Having made that point, it is important to note that the key is cost containment rather than such alternative measures as massive reductions in staff or wage roll-backs.

I am, therefore, announcing that the salary adjustment for 2,300 public service managers, effective April 1, 1984 will be 0 per cent. This will not apply to the small number of non-union clerical and administrative support personnel whose salary rates generally fall below $25,000 and whose responsibilities have traditionally related to employees in the bargaining unit.

While the salary scale for these managers is being frozen, we will continue the practice of allowing merit increases where justified.

I wish to emphasize that all Crown corporations, Boards, Agencies, Commissions and organizations funded by government will be encouraged to take similar action with respect to management compensation for the second year of the guideline program.

Looking ahead to the next round of negotiations with the public sector unions there is little doubt that the rationale behind the zero adjustment for management will have an important influence on the government's approach to bargaining and that a careful re-assessment of our competitive position relative to our traditional wage markets is in order.

With respect to general budgetary restraint within government, I received clear and useful advice during my consultation sessions.

I was advised as follows: Do not cut back in the economic development or the health and education sectors. These are the essential services. But, I was told, be tough everywhere else.

I believe this budget does that.

I am pleased to say that the budget increase for the combined health and education sectors is 7.3 per cent, including funding from the Special Projects Fund. The increase for economic development is over 30 per cent.

The money to finance these increases for our essential services has come by being tough everywhere else.

On average, all other departments of government —that is, 26 out of 36 — will receive less money in 1984-85 than they received in 1983-84. The calculation excludes interest charges on the public debt.

We have successfully redistributed expenditures to our essential services and have been able, as a consequence, to hold the overall increase in spending for 1984-85 to only 4.9 per cent.

This is the lowest increase in Saskatchewan's government spending in the last 18 years.

This expenditure plan represents a fair balance between the need for restraint and the need to protect essential and wealth-producing programs.

Fiscal Position 1983-84

There have been several significant changes on the revenue side of the budget during the 1983-84 fiscal year and three of them are worthy of note.

First, the revenue from individual income tax has been substantially lower than anticipated in our budget last year. The bulk of this weakness derives from re-estimates by the federal government of the amount of taxable income in Canada, and of course in Saskatchewan, for both the 1982 and 1983 taxation years. Our total revenue loss from this change, during 1983-84, will be up to $100 million.

Second, the improvement in the oil industry, particularly for land lease sales, has been much more rapid and dramatic than was assumed by our oil revenue forecast last year. Total revenue from oil will be above our earlier estimate by an amount in excess of $100 million.

Third, at this time last year we had planned to pay a dividend from the Crown Investments Corporation to the Heritage Fund of $50 million. The continuing poor profit picture of the Crown sector has made it inappropriate to pay any dividend during the 1983-84 fiscal year.

Overall, our revenue for 1983-84 is expected to be about $40 to $50 million below the budget estimates.

On the expenditure side, we have had expenditures higher than set out in the budget of $10 million for the Build-a-Home program and for Disaster Assistance alone. But with careful management, the total of our expenditures for 1983-84 should be below budget by nearly $30 million.

As a consequence of these changes in revenues and expenditures, the combined deficit for 1983-84 will be about $335 million, about 5 per cent higher than we anticipated at this time last year.

Fiscal Position 1984-85

We believe that all governments must work in concert to reduce budget deficits. Failure to

accomplish this will force harsh financial penalties on our children. It is inevitable that mounting deficits will result in unwanted reductions in government services and tax increases.

At the last meeting of Canada's Finance Ministers, I proposed that all governments publicly agree to move collectively toward reduced deficits. While my suggestion was not adopted, I believe that it still has merit. This budget is consistent with that sensible fiscal approach.

Despite the many significant budget measures that I have introduced tonight, I am pleased to announce that the 1984-85 budget deficit will be $267 million, 20 per cent below the 1983-84 level.

This is a responsible step. The deficit has been turned around without any social disruption. It has been turned around without cuts in basic services and without major personal tax increases.

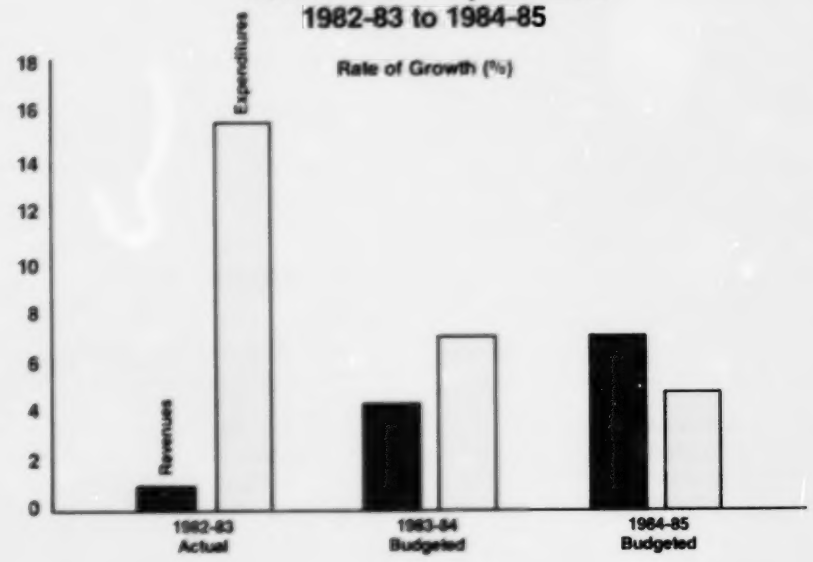
But this is just the first step. This government is committed to working toward further reductions in the deficit in the years ahead ... reductions at least as large as the one that I have announced tonight.

We have achieved this 20 per cent cut in the deficit by firm expenditure control and by careful priorization of expenditure programs. Combined expenditures for 1984-85 will be $3,279 million, an increase of 4.9 per cent over last year's budget estimate.

Stronger across-the-board revenue growth will contribute to our improved fiscal position. This will be supplemented by a number of revenue measures that I will announce in a moment. Combined revenues for 1984-85 are forecast to be $3,012 million, an increase of 7.2 per cent over the 1983-84 budget estimate.

We are reducing the deficit and will continue to do so. And our strategy to achieve this fiscal plan will enable us, as I have announced tonight, to encourage economic development and investment and to improve and strengthen our basic social programs. That, Mr. Speaker, is a responsible, forward looking, fiscal plan.

Rate of Growth in Total Combined Budgetary Revenues and Expenditures 1982-83 to 1984-85



Revenue Initiatives

Let me review the taxation changes that I have already announced.

We have:

- eliminated the sales tax from electricity for farms, homes and many public recreation facilities;
- cut taxes for small businesses involved in manufacturing and processing;
- provided tax incentives for investments in small businesses involved in manufacturing, processing, tourism and research and development; and,
- provided tax incentives to strengthen our livestock industry.

As well, my colleague, the Minister of Revenue and Financial Services, will be announcing details of some additional sales tax exemptions, in particular for some farm equipment. These extended exemptions, including prototypes, will take effect immediately and will reduce the sales tax burden in Saskatchewan by over $300,000 in the coming fiscal year.

I will now announce several increases in taxation rates in order to improve our fiscal position.

Effective January 1, 1984, the general corporate income tax rate will increase from 14 per cent to 16 per cent. This general corporate tax rate is the rate paid by larger corporations doing business in the province. The rate increase will yield $18 million in additional revenue in 1984-85.

Effective April 1, 1984, the tax rate applied to railway locomotive diesel and aviation fuel will increase by 8¢ and 1¢ per litre respectively. This measure is expected to yield $19.6 million in additional revenue in 1984-85.

Finally, in respect to the tax on tobacco products, effective midnight tonight the tax on cigarettes will be increased by 15¢ to a level of 67¢ per package of 25 cigarettes.

The tax on cut tobacco will also increase by 6¢ to 27¢ per 25 grams and the tax on cigars will increase as follows: from 18¢ to 20¢ on cigars valued between 21¢ and 40¢; and from 28¢ to 40¢ on cigars valued over 40¢.

This increase in tobacco tax is expected to yield $14.3 million in additional revenue in 1984-85.

Capital Financing

I would now like to outline the capital financing needs of the government and the Crown corporations. During the 1984-85 fiscal year, we anticipate that the Crown corporations will require $808.7 million to finance their capital spending plans. We expect to borrow $110.0 million of this from the Canada Pension Plan Investment Fund and $698.7 million from various capital markets, a portion of which will come from the new investment vehicles for Saskatchewan residents I have just announced.

When combined with our budgetary deficit of $267.2 million, the overall capital financing activities in 1984-85 are expected to amount to $1,075.9 million. This is lower than the amount we will be borrowing in 1983-84 by more than $100 million. The bond rating agencies in Canada and the United States have recently recognized Saskatchewan's favourable economic and financial position by confirming the province's credit rating as one of the best in Canadian and world markets. With this strong credit rating, we are confident that we will be able to obtain our capital requirements with the least amount of difficulty and at the best possible terms.

Conclusion

Mr. Speaker, I said at the beginning of my speech that now is the time for new ideas. At the national and the international levels, economies are in a period of accelerated change. The boundaries of competitive advantage are being re-drawn daily with the scales tipping in favour of those who can accept and harness change.

As a nation, the imminent change we face in our political leadership may provide the necessary stimulus to seek out new approaches.

As a province, we began the process two years ago, on April 26, 1982. And I believe the budget I have just described presents important new ideas in the constant challenge to stay one step ahead.

In summary,

- we have introduced a major new incentive program for Saskatchewan investors;
- we have cut taxes for farmers and small businesses, and we have held down power bill increases for farms and residences;
- we have taken steps to strengthen our basic industrial sectors;
- we have greatly expanded skill training and created 5,600 new jobs specifically for young people;
- we have reformed the welfare program;
- we have provided the opportunity for Saskatchewan people to participate directly in our Crown corporations;
- we have protected and enhanced essential health and education programs;
- we have helped provide Saskatchewan's senior citizens with the largest increase in guaranteed income in the last 30 years;
- we have continued our program of reducing the cost of government with the lowest spending increase in 18 years;
- and, we have significantly reduced the deficit.

Mr. Speaker, I believe this budget provides a further demonstration of the pledge we gave on assuming office: to keep what needed keeping, to change what needed changing, and above all, to be responsive to the needs of the Saskatchewan people.

1984-85 Budget Summary

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Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Financing Activities

For the Year Ending March 31

	Estimated 1985	Estimated 1984	Actual 1983
Budgetary Transactions			
Combined Revenue	**$ 3,011,719,800**	$ 2,808,323,000	$ 2,691,126,438
Combined Expenditure	**3,278,925,320**	3,125,205,940	2,918,301,527
Excess of Combined Revenue Over Expenditure	**$ (267,205,520)**	$ (316,882,940)	$ (227,175,089)
Non-Budgetary Transactions			
Combined Receipts	**$ 35,262,950**	$ 90,038,450	$ 117,730,352
Combined Disbursements	**847,358,320**	1,179,015,920	1,006,754,275
Excess of Combined Receipts Over Disbursements	**$ (812,095,370)**	$ (1,088,977,470)	$ (889,023,923)
Net Cash Requirement	**$ 1,079,300,890**	$ 1,405,860,410	$ 1,116,199,012
Financing			
Public Borrowing:			
Proceeds from Debt	**$ 1,075,876,000**	$ 1,467,500,000	$ 1,065,642,520
Repayment of Debt	**9,448,340**	61,896,780	61,724,472
Increase in Public Borrowing	**$ 1,066,427,660**	$ 1,405,603,220	$ 1,003,918,048
Increase (Decrease) in Current Assets	**$ (12,873,230)**	$ (257,190)	$ (112,280,964)
Total Combined Financing	**$ 1,079,300,890**	$ 1,405,860,410	$ 1,116,199,012

Note: To derive the Combined Budgetary Revenue and Expenditure, the Dividend from the Saskatchewan Heritage Fund to the Consolidated Fund is eliminated to avoid double counting. Similarly, financial flows between Funds are eliminated to derive the Combined Non-Budgetary Receipts and Disbursements.

Province of Saskatchewan
Consolidated Fund
Statement of Financing Activities

For the Year Ending March 31

	Estimated 1985	Estimated 1984	Actual 1983
Budgetary Transactions			
Revenue	**$ 2,912,700,800**	$ 2,699,215,800	$ 2,523,803,183
Expenditure	**3,211,304,320**	3,041,094,940	2,821,553,673
Excess of Revenue Over Expenditure	**$ (298,603,520)**	$ (341,879,140)	$ (297,750,490)
Non-Budgetary Transactions			
Receipts	**$ 32,762,950**	$ 85,438,450	$ 115,091,478
Disbursements	**818,667,320**	1,165,056,920	930,703,871
Excess of Receipts Over Disbursements	**$ (785,904,370)**	$ (1,079,618,470)	$ (815,612,393)
Net Cash Requirement	**$ 1,084,507,890**	$ 1,421,497,610	$ 1,113,362,883
Financing			
Public Borrowing:			
Proceeds from Debt	**$ 1,075,876,000**	$ 1,467,500,000	$ 1,065,642,520
Repayment of Debt	**9,448,340**	61,896,780	61,724,472
Increase in Public Borrowing	**$ 1,066,427,660**	$ 1,405,603,220	$ 1,003,918,048
Increase (Decrease) in Current Assets	**$ (18,080,230)**	$ (15,894,390)	$ (109,444,835)
Financing for Consolidated Fund	**$ 1,084,507,890**	$ 1,421,497,610	$ 1,113,362,883

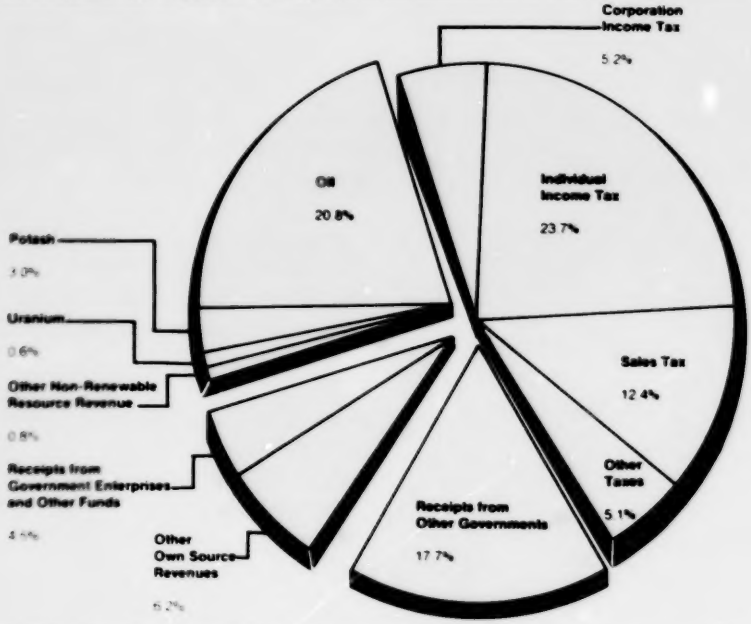
Province of Saskatchewan
Saskatchewan Heritage Fund
Statement of Changes in Financial Position

For the Year Ending March 31

	Estimated 1985	Estimated 1984	Actual 1983
Budgetary Transactions			
Revenue	**$ 789,019,000**	$ 739,107,200	$ 842,323,255
Expenditure	**757,621,000**	714,111,000	771,747,854
Excess of Revenue Over Expenditure	**$ 31,398,000**	$ 24,996,200	$ 70,575,401
Non-Budgetary Transactions			
Receipts	**$ 2,500,000**	$ 4,600,000	$ 2,638,874
Disbursements	**5,250,000**	— —	28,000,000
Excess of Receipts Over Disbursements	**$ (2,750,000)**	$ 4,600,000	$ (25,361,126)
Increase (Decrease) in Current Assets	**$ 28,648,000**	$ 29,596,200	$ 45,214,275

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Estimated Combined Budgetary Revenue

For the Year Ending March 31, 1985



		Amount	Percentage of Total Revenue
Provincial Taxes			
Corporation Income	$	155,786,000	5.2%
Individual Income		714,414,000	23.7
Sales		372,100,000	12.4
Other Taxes		153,817,700	5.1
Total Provincial Taxes	$	1,396,117,700	46.4%
Non-Renewable Resource Revenues			
Oil	$	628,119,000	20.8%
Potash		89,651,000	3.0
Uranium		17,203,000	0.6
Other Revenues		24,044,000	0.8
Total Non-Renewable Resource Revenues	$	759,017,000	25.2%
Receipts from Government Enterprises and Other Funds	$	136,335,300	4.5%
Other Own Source Revenues	$	185,302,900	6.2%
Receipts from Other Governments			
Established Programs Financing	$	368,826,000	12.2%
Federal-Provincial Programs		159,179,900	5.3
Other Receipts		6,941,000	0.2
Total Receipts from Other Governments	$	534,946,900	17.7%
Total Estimated Combined Budgetary Revenue*	$	3,011,719,800	100.0%

* To derive the Estimated Combined Budgetary Revenue, the Dividend from the Saskatchewan Heritage Fund to the Consolidated Fund is eliminated to avoid double counting.

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Budgetary Revenue

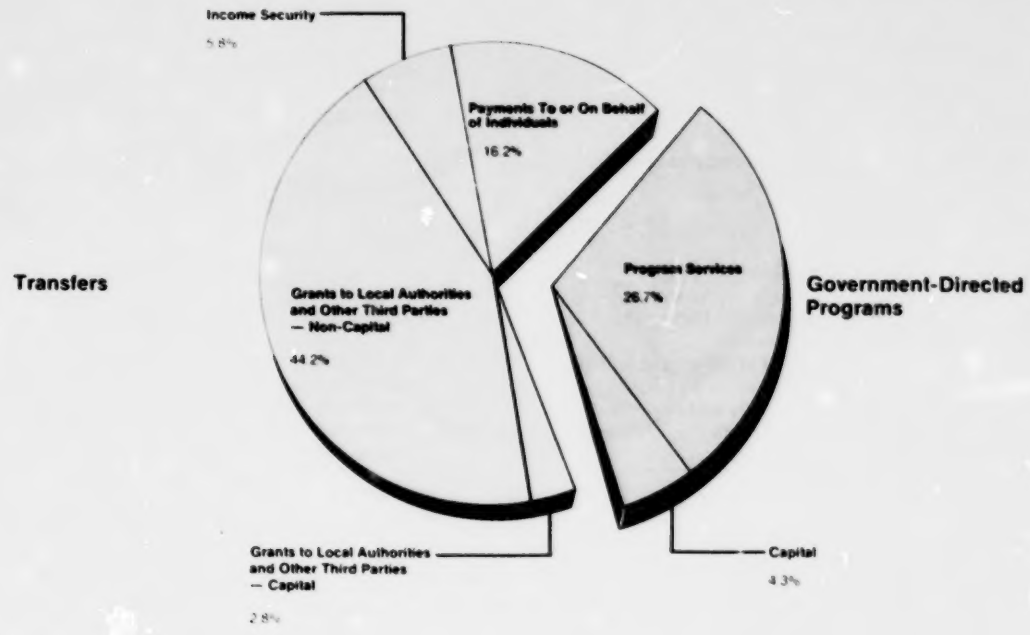
For the Year Ending March 31

	Estimated 1985	Estimated 1984	Actual 1983
Consolidated Fund			
Provincial Taxes			
Corporation Capital	$ 29,000,000	$ 21,600,000	$ 24,222,362
Corporation Income	155,786,000	116,600,000	87,311,468
Fuel	33,700,000	12,100,000	15,046,007
Individual Income	714,414,000	708,700,000	683,222,907
Sales	372,100,000	359,000,000	312,004,977
Tobacco	63,700,000	50,000,000	35,420,971
Other Taxes	27,417,700	28,288,000	20,671,576
Receipts from Government Enterprises and Other Funds			
Saskatchewan Heritage Fund	690,000,000	630,000,000	675,000,000
Saskatchewan Liquor Board	130,000,000	125,000,000	110,000,000
Other Receipts	6,335,300	7,003,200	6,930,610
Other Own Source Revenues			
Fines, Forfeits and Penalties	7,636,000	7,315,500	6,078,950
Interest, Premium, Discount and Exchange	10,156,700	7,130,000	7,913,671
Privileges, Licences and Permits			
— Lands, Forest, Game, Fur, Fisheries and Water	11,164,700	13,753,700	19,866,983
— Motor Vehicles	59,900,000	54,700,000	45,314,407
— Other Privileges, Licences and Permits	7,457,500	7,542,300	5,866,157
Sales, Services and Service Fees	40,680,300	37,835,300	28,795,725
Other Revenues	18,305,700	21,983,300	23,145,772
Receipts from Other Governments			
Canada Assistance Plan	131,016,000	134,184,100	123,257,322
Department of Regional Economic Expansion	2,510,000	7,591,500	5,157,790
Equalization Payments	(22,913,000)	(22,800,000)	(31,837,128)
Established Programs Financing	368,826,000	320,700,000	272,017,937
Statutory Subsidy	2,150,000	2,150,000	2,140,676
Other Federal-Provincial Programs	46,416,900	41,077,500	37,566,833
Other Receipts	6,941,000	7,761,400	8,687,210
Total Consolidated Fund Revenue	$ 2,912,700,800	$ 2,699,215,800	$ 2,523,803,183
Saskatchewan Heritage Fund			
Non-Renewable Resource Revenues			
Coal	$ 13,597,000	$ 13,300,000	$ 10,988,357
Natural Gas	8,404,000	5,050,000	1,009,629
Oil — Own Source	582,179,000	515,060,000	482,888,649
— Export Charge	45,940,000	23,700,000	217,393,542
Potash	89,651,000	64,100,000	36,970,663
Sodium Sulphate	1,512,000	2,100,000	1,617,831
Uranium	17,203,000	25,800,000	24,403,390
Other Revenues	531,000	340,000	619,418
Agricultural Lands Revenue	18,405,000	20,657,200	— —
Investment Revenue	11,597,000	69,000,000	66,473,215
Other Revenue	— —	— —	58,561
Total Saskatchewan Heritage Fund Revenue	$ 789,019,000	$ 739,107,200	$ 842,323,255
Eliminate Saskatchewan Heritage Fund Dividend to Consolidated Fund*	$ (690,000,000)	$ (630,000,000)	$ (675,000,000)
Total Combined Budgetary Revenue*	$ 3,011,719,800	$ 2,808,323,000	$ 2,691,126,438

* The Saskatchewan Heritage Fund pays an annual dividend to the Consolidated Fund. To avoid double counting, this Dividend is eliminated to derive Total Combined Budgetary Revenue.

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Estimated Combined Budgetary Expenditure

For the Year Ending March 31, 1985



	Amount	Percentage of Total Expenditure
Transfers		
Grants to Local Authorities and Other Third Parties:		
Capital	$ 90,691,720	2.8%
Non-Capital	1,449,126,530	44.2
Income Security	190,893,000	5.8
Payments To or On Behalf of Individuals	530,030,710	16.2
Total Transfers	$ 2,260,741,960	69.0%
Government-Directed Programs		
Capital	$ 142,859,950	4.3%
Program Services	875,323,410	26.7
Total Government-Directed Programs	$ 1,018,183,360	31.0%
Total Estimated Combined Budgetary Expenditure*	$ 3,278,925,320	100.0%

* To derive the Estimated Combined Budgetary Expenditure, the Dividend from the Saskatchewan Heritage Fund to the Consolidated Fund is eliminated to avoid double counting.

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Budgetary Expenditure

For the Year Ending March 31

	Estimated 1985	Estimated** 1984	Actual** 1983
Consolidated Fund			
Agriculture	$ 92,705,480	$ 79,771,350	$ 86,131,163
Education and Manpower	637,108,920	594,111,130	528,293,554
Health	1,024,235,140	977,814,160	728,704,172
Highways	222,400,030	222,115,760	191,765,307
Justice	105,197,250	97,002,140	67,345,360
Parks and Renewable Resources	62,216,600	55,800,440	52,700,671
Social Services	304,506,000	304,344,800	443,552,034
Supply and Services	95,032,990	94,764,700	66,376,563
Urban Affairs and Rural Development	271,465,110	253,334,990	235,681,080
Other	396,436,800	362,035,470	421,003,769
Total Consolidated Fund Expenditure	$ 3,211,304,320	$ 3,041,094,940	$ 2,821,553,673
Saskatchewan Heritage Fund			
Dividend to Consolidated Fund	$ 690,000,000	$ 630,000,000	$ 675,000,000
Grants for Petroleum and Natural Gas Exploration, Conservation and Development	20,000,000	30,000,000	57,820,101
Canada-Saskatchewan Agreements:			
Heavy Oil Grants	1,000,000	1,000,000	483,915
Heavy Oil/Fossil Fuel Projects	4,121,000	4,850,000	— —
Energy Agreement Projects	270,000	1,230,000	1,548,137
Payments of Interest Rebates under the Farm Purchase Program	13,000,000	6,500,000	— —
Payment to cover the Deficiency of Land Bank Lease Fees in meeting the Interest Costs Owing on Transferred Land Bank Land	6,568,000	6,800,000	— —
Payments for Research and Development	5,000,000	5,000,000	— —
Other	3,590,000	2,843,000	4,336,843
Provincial Development Expenditures:			
Advanced Education and Manpower	100,000	1,400,000	2,290,000
Agriculture	— —	607,000	— —
Health	1,500,000	4,750,000	4,223,756
Supply and Services	1,127,000	4,083,000	4,094,670
Urban Affairs	11,345,000	15,048,000	21,145,850
Other	— —	— —	804,582
Total Saskatchewan Heritage Fund Expenditure	$ 757,621,000	$ 714,111,000	$ 771,747,854
Eliminate Saskatchewan Heritage Fund Dividend to Consolidated Fund*	$ (690,000,000)	$ (630,000,000)	$ (675,000,000)
Total Combined Budgetary Expenditure*	$ 3,278,925 320	$ 3,125,205,940	$ 2,918,301,527

* The Saskatchewan Heritage Fund pays an annual Dividend to the Consolidated Fund. To avoid double counting, this Dividend is eliminated to derive the Total Combined Budgetary Expenditure.

** The estimated 1984 and actual 1983 amounts reflect the existing structure of departments prior to inter-departmental transfers except for a transfer to Other (Revenue and Financial Services) from Education.

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Non-Budgetary Transactions

For the Year Ending March 31

	Estimated 1985	Estimated 1984	Actual 1983
Receipts			
Consolidated Fund			
Repayment of Loans, Advances and Investments in Crown Corporations:			
Potash Corporation of Saskatchewan	$ — —	$ 25,000,000	$ 25,000,000
Saskatchewan Power Corporation	8,936,000	22,945,500	34,654,900
Saskatchewan Telecommunications	— —	13,416,000	1,795,000
Total Repayment of Loans, Advances and Investments in Crown Corporations	$ 8,936,000	$ 61,361,500	$ 61,449,900
Crown Corporation Contributions to Sinking Funds	$ 23,826,950	$ 24,076,950	$ 21,586,945
Other Receipts	— —	— —	32,054,633
Total Consolidated Fund Receipts	$ 32,762,950	$ 85,438,450	$ 115,091,478
Saskatchewan Heritage Fund			
Repayment of Loans to Crown Corporations:			
Saskatchewan Grain Car Corporation	$ — —	$ — —	$ 1,833,330
Saskatchewan Power Corporation	— —	1,000,000	805,544
Total Repayment of Loans to Crown Corporations	$ — —	$ 1,000,000	$ 2,638,874
Proceeds from Sale of Agricultural Land	$ 2,500,000	$ 3,600,000	$ — —
Total Saskatchewan Heritage Fund Receipts	$ 2,500,000	$ 4,600,000	$ 2,638,874
Total Combined Non-Budgetary Receipts	$ 35,262,950	$ 90,038,450	$ 117,730,352

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Non-Budgetary Transactions

For the Year Ending March 31

	Estimated 1985	Estimated 1984	Actual 1983
Disbursements			
Consolidated Fund			
Loans, Advances and Investments in Crown Corporations:			
Agricultural Credit Corporation of Saskatchewan**	$ 17,000,000	$ 28,000,000	$ 20,434,000
Crown Investments Corporation of Saskatchewan	52,600,000	33,600,000	75,000,000
Potash Corporation of Saskatchewan	188,000,000	267,600,000	100,000,000
Saskatchewan Economic Development Corporation	51,100,000	50,000,000	— —
Saskatchewan Housing Corporation	51,476,000	83,200,000	80,150,000
Saskatchewan Land Bank Commission	— —	— —	9,500,000
Saskatchewan Mining Development Corporation	17,800,000	143,000,000	152,662,684
Saskatchewan Municipal Financing Corporation	20,000,000	25,000,000	— —
Saskatchewan Power Corporation	380,700,000	420,200,000	396,452,384
Saskatchewan Telecommunications	30,000,000	100,000,000	100,000,000
Total Loans, Advances and Investments in Crown Corporations	$ 808,676,000	$ 1,150,600,000	$ 934,199,068
Other Loans and Advances — Net of Receipts	$ (14,493,380)	$ (10,157,780)	$ (25,619,892)
Sinking Fund Payments	24,484,700	24,614,700	22,124,695
Total Consolidated Fund Disbursements	$ 818,667,320	$ 1,165,056,920	$ 930,703,871
Saskatchewan Heritage Fund			
Investments in Crown Corporations:			
Saskatchewan Oil and Gas Corporation	$ — —	$ — —	$ 28,000,000
Total Investments in Crown Corporations	$ — —	$ — —	$ 28,000,000
Other Loans, Advances and Investments	$ 5,250,000	$ — —	$ — —
Total Saskatchewan Heritage Fund Disbursements	$ 5,250,000	$ — —	$ 28,000,000
Eliminate Increase in Amount Due from Consolidated Fund to Saskatchewan Heritage Fund*	$ 23,441,000	$ 13,959,000	$ 48,050,404
Total Combined Non-Budgetary Disbursements	$ 847,358,320	$ 1,179,015,920	$ 1,006,754,275
Excess of Combined Non-Budgetary Receipts Over Disbursements*	$ (812,095,370)	$ (1,088,977,470)	$ (889,023,923)

* A portion of the current assets of the Saskatchewan Heritage Fund is held on deposit in the Consolidated Fund. To avoid double counting, the increase in the amount held on deposit with the Consolidated Fund is eliminated to derive the Excess of Combined Non-Budgetary Receipts Over Disbursements.

** The Saskatchewan FarmStart Corporation has been continued as the Agricultural Credit Corporation of Saskatchewan pursuant to The Agricultural Credit Corporation of Saskatchewan Act.

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Financial Position

As at March 31

	Estimated 1985	Estimated 1984	Actual 1983
Assets			
Consolidated Fund			
Current Assets	$ 58,093,151	$ 76,173,381	$ 92,067,771
Investments in Crown Corporations:			
Saskatchewan Housing Corporation	11,173,521	11,173,521	11,173,521
Advance to the Agricultural Division of the Saskatchewan Heritage Fund*	184,436,000	184,436,000	— —
Loans and Advances to Crown Corporations:			
Agricultural Credit Corporation of Saskatchewan**	201,326,000	184,326,000	156,326,000
Crown Investments Corporation of Saskatchewan	472,462,800	419,862,800	386,262,800
Potash Corporation of Saskatchewan	630,600,000	442,600,000	200,000,000
Saskatchewan Economic Development Corporation	149,247,200	98,147,200	48,147,200
Saskatchewan Housing Corporation	442,589,000	391,113,000	307,913,000
Saskatchewan Land Bank Commission*	— —	— —	184,436,000
Saskatchewan Mining Development Corporation	463,462,684	445,662,684	302,662,684
Saskatchewan Municipal Financing Corporation	45,000,000	25,000,000	— —
Saskatchewan Oil and Gas Corporation	25,000,000	25,000,000	25,000,000
Saskatchewan Power Corporation	2,422,993,217	2,051,229,217	1,653,974,717
Saskatchewan Telecommunications	806,807,667	776,807,667	690,223,667
Saskatchewan Water Supply Board	14,876,000	14,876,000	14,876,000
Less: Crown Corporation Equity in Sinking Funds	(324,264,000)	(287,018,132)	(297,810,387)
Other Assets***	74,070,140	65,122,520	61,321,300
Total Consolidated Fund Assets	$ 5,677,873,380	$ 4,924,511,858	$ 3,836,574,273
Saskatchewan Heritage Fund			
Current Assets	$ 318,533,294	$ 289,885,294	$ 260,289,094
Investments in Crown Corporations:			
Crown Investments Corporation of Saskatchewan	109,975,903	109,975,903	109,975,903
Potash Corporation of Saskatchewan	418,553,715	418,553,715	418,553,715
Saskatchewan Mining Development Corporation	218,700,000	218,700,000	218,700,000
Saskatchewan Oil and Gas Corporation	91,500,000	91,500,000	91,500,000
Investment in Agricultural Land and Related Assets*	179,670,363	181,920,363	— —
Loans to Crown Corporations:			
Potash Corporation of Saskatchewan	33,400,000	33,400,000	33,400,000
Saskatchewan Grain Car Corporation	51,333,340	51,333,340	51,333,340
Saskatchewan Housing Corporation	8,000,000	8,000,000	8,000,000
Saskatchewan Municipal Financing Corporation	10,000,000	10,000,000	10,000,000
Saskatchewan Power Corporation	1,448,172	1,448,172	2,448,172
Other Loans and Investments	5,000,000	— —	— —
Total Saskatchewan Heritage Fund Assets	$ 1,446,114,787	$ 1,414,716,787	$ 1,204,200,224
Eliminate Inter-Fund Assets****	$ (402,049,809)	$ (378,608,809)	$ (180,213,809)
Total Combined Assets**	$ 6,721,938,358	$ 5,960,619,836	$ 4,860,560,688

* The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84.

** The Saskatchewan FarmStart Corporation has been continued as the Agricultural Credit Corporation of Saskatchewan pursuant to The Agricultural Credit Corporation of Saskatchewan Act.

*** Includes $1,740,000 recoverable from the University of Saskatchewan. This amount was previously recoverable from the Saskatchewan Universities Commission. The Commission was dissolved in 1983-84 and the debt was transferred to the University.

**** Certain assets reported are the result of inter-fund financial transactions. To avoid double counting, these amounts are eliminated to derive Total Combined Assets.

— Advance to the Agricultural Division	$184,436,000
— Current assets of the Saskatchewan Heritage Fund held on deposit in Consolidated Fund	$217,613,809

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Financial Position

As at March 31

	Estimated 1985	Estimated 1984	Actual 1983
Liabilities			
Consolidated Fund			
Long-Term (Funded) Debt	$ 5,882,366,271	$ 5,083,158,611	$ 3,994,455,391
Treasury Bills	643,423,500	513,423,500	333,523,500
Promissory Notes	324,200,000	187,000,000	50,000,000
Gross Debt	$ 6,850,009,771	$ 5,783,582,111	$ 4,377,978,891
Less: Total Equity in Sinking Fund	346,377,000	305,838,116	314,595,196
Net Public Debt	$ 6,503,632,771	$ 5,477,743,995	$ 4,063,383,695
Due to Special Purpose Funds and Other Liabilities	$ 303,217,403	$ 279,776,403	$ 265,817,403
Total Consolidated Fund Liabilities	$ 6,806,850,174	$ 5,757,520,398	$ 4,329,201,098
Saskatchewan Heritage Fund	$ 187,760,234	$ 187,760,234	$ — —
Eliminate Inter-Fund Liabilities*	$ (402,049,809)	$ (378,608,809)	$ (180,213,809)
Total Combined Liabilities*	$ 6,592,560,599	$ 5,566,671,823	$ 4,148,987,289
Province's Equity			
Consolidated Fund	$ (1,128,976,794)	$ (833,008,540)	$ (492,626,825)
Saskatchewan Heritage Fund	1,258,354,553	1,226,956,553	1,204,200,224
Total Combined Province's Equity	$ 129,377,759	$ 393,948,013	$ 711,573,399
Total Combined Liabilities and Province's Equity	$ 6,721,938,358	$ 5,960,619,836	$ 4,860,560,688
Guaranteed Debt	$ 317,900,000	$ 281,500,000	$ 268,641,819

* Certain liabilities reported are the result of inter-fund financial transactions. To avoid double counting, these amounts are eliminated to derive the Total Combined Liabilities.

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund
Statement of Combined Province's Equity

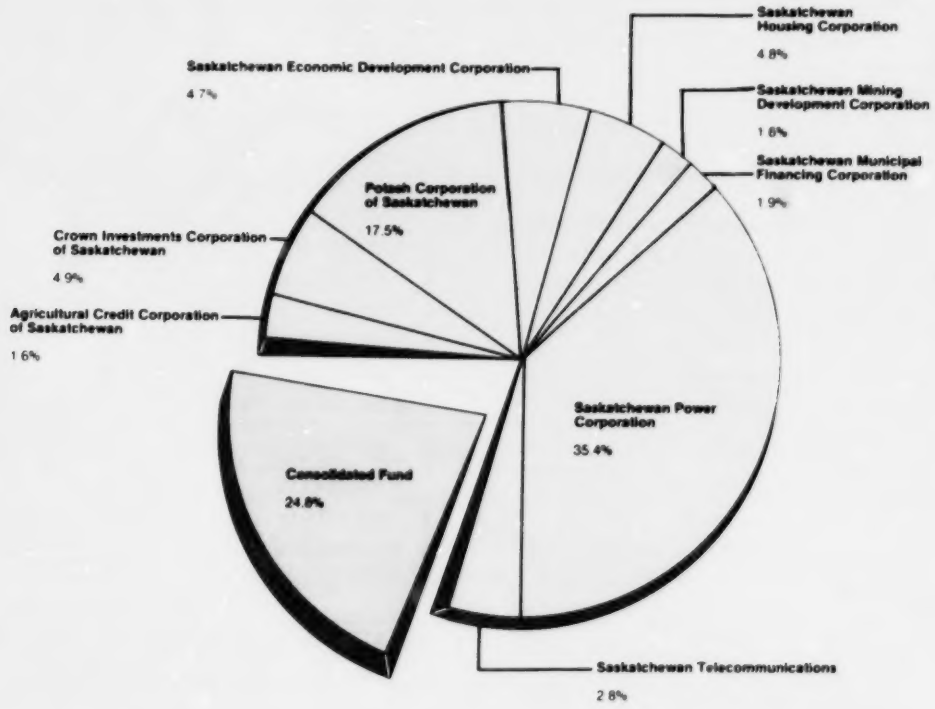
For the Year Ending March 31

	Estimated 1985	Estimated 1984	Actual 1983
Total Combined Budgetary Revenue	$ 3,011,719,800	$ 2,808,323,000	$ 2,691,126,438
Total Combined Budgetary Expenditure	3,278,925,320	3,125,205,940	2,918,301,527
Excess of Total Combined Budgetary Revenue Over Total Combined Budgetary Expenditure	$ (267,205,520)	$ (316,882,940)	$ (227,175,089)
Equity, Beginning of Year	393,948,013	711,573,399	1,091,878,604
Equity Adjustments	2,635,266	(742,446)	(153,130,116)*
Combined Province's Equity, End of Year	$ 129,377,759	$ 393,948,013	$ 711,573,399

* During 1982-83 the accounting policy regarding Working Capital Advances was changed. The balance of Working Capital Advances as at April 1, 1982 was either written off to Equity or transferred to Other Assets.

Province of Saskatchewan
Consolidated Fund
Estimated Application of Gross Borrowing Requirement

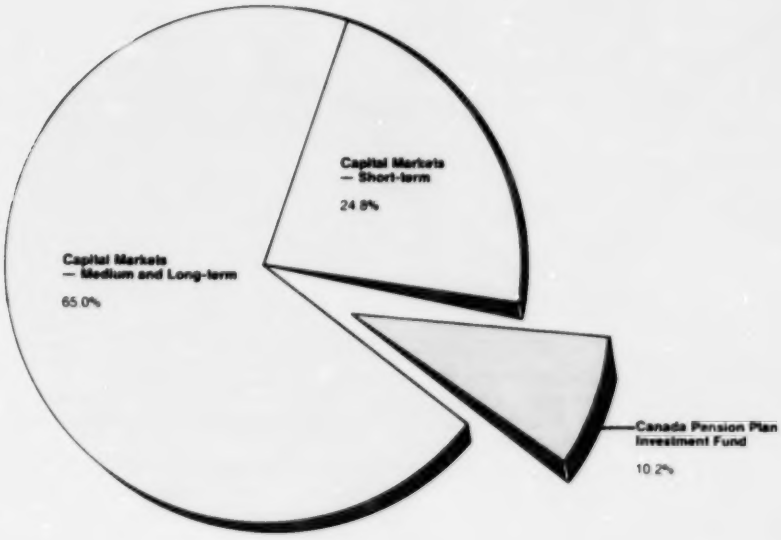
For the Year Ending March 31, 1985



	Amount	Percentage of Gross Borrowing Requirement
Crown Corporations		
Agricultural Credit Corporation of Saskatchewan	$ 17,000,000	1.6%
Crown Investments Corporation of Saskatchewan	52,600,000	4.9
Potash Corporation of Saskatchewan	188,000,000	17.5
Saskatchewan Economic Development Corporation	51,100,000	4.7
Saskatchewan Housing Corporation	51,476,000	4.8
Saskatchewan Mining Development Corporation	17,800,000	1.6
Saskatchewan Municipal Financing Corporation	20,000,000	1.9
Saskatchewan Power Corporation	380,700,000	35.4
Saskatchewan Telecommunications	30,000,000	2.8
Total Crown Corporations	$ 808,676,000	75.2%
Consolidated Fund	$ 267,200,000	24.8%
Total	$ 1,075,876,000	100.0%

Province of Saskatchewan
Consolidated Fund
Estimated Sources of Gross Borrowing Requirement

For the Year Ending March 31, 1985



	Amount	Percentage of Gross Borrowing Requirement
Canada Pension Plan Investment Fund	$ 110,000,000*	10.2%
Capital Markets		
— Short-term	267,200,000	24.8
— Medium and Long-term	698,676,000*	65.0
Total	$ 1,075,876,000	100.0%

* These funds are borrowed by the Consolidated Fund and loaned to Crown Corporations who are responsible for the repayment of principal and interest.

Province of Saskatchewan
Statement of Total Debt

As At March 31

	Preliminary February 29, 1984	Actual 1983	Actual 1982
Promissory Notes (for the purpose of)			
Government of Saskatchewan	$ 374,250,000	$ 50,000,000	$ 113,000,000
Treasury Bills (for the purpose of)			
Crown Corporations*	$ 6,500,000	$ 8,523,500	$ 10,446,400
Government of Saskatchewan	421,765,000	325,000,000	130,000,000
Total Treasury Bills	$ 428,265,000	$ 333,523,500	$ 140,446,400
Long-Term (Funded) Debt (for the purpose of)			
Crown Corporations*	$ 3,972,578,568	$ 3,961,298,568	$ 3,086,626,500
Government of Saskatchewan	330,386,000	20,950,000	20,950,000
Other — Federal/Municipal**	9,853,341	10,466,823	11,297,943
— University of Saskatchewan	1,740,000	1,740,000	1,740,000
Total Long-Term (Funded) Debt	$ 4,314,557,909	$ 3,994,455,391	$ 3,120,614,443
Gross Debt	$ 5,117,072,909	$ 4,377,978,891	$ 3,374,060,843
Less: **Equity in Sinking Funds** (for the purpose of)			
Crown Corporations	$ 279,692,008	$ 297,810,387	$ 273,263,361
Government of Saskatchewan	19,304,569	16,784,809	14,588,610
Total Equity in Sinking Funds	$ 298,996,577	$ 314,595,196	$ 287,851,971
Net Debt	$ 4,818,076,332	$ 4,063,383,695	$ 3,086,208,872
Guaranteed Debt***	298,200,000	268,641,819	230,183,260
Total Debt	$ 5,116,276,332	$ 4,332,025,514	$ 3,316,392,132

* These enterprises are responsible for the repayment of principal and interest.
** These obligations represent monies loaned to the Province by the federal government with the understanding that the monies would be re-loaned to Saskatchewan municipalities under identical conditions.
*** Applies to government portion only.

Province of Saskatchewan
Financial Debt Indicators

As at March 31

	Estimated 1984	Actual 1983	Actual 1982
Total Debt			
Per Capita*	$ 5,800	$ 4,425	$ 3,426
As a Percentage of Combined Budgetary Revenue	205.1%	161.0%	124.5%
As a Percentage of Saskatchewan Gross Domestic Product**	36.2%	28.8%	22.4%
Interest Payments on the Government Portion of Total Debt			
As a Percentage of Combined Budgetary Revenue	2.3%	1.5%	1.6%

* Population June 1 of previous year.
** Gross Domestic Product for previous year.

Province of Saskatchewan
Gross Debt by Allocation

As At March 31

	Preliminary February 29, 1984	Actual 1983	Actual 1982
Reimbursable Debt			
Crown Corporations:			
Agricultural Credit Corporation of Saskatchewan*	$ 169,843,000	$ 156,326,000	$ 135,892,000
Crown Investments Corporation of Saskatchewan	369,879,000	349,879,000	274,879,000
Potash Corporation of Saskatchewan	255,000,000	200,000,000	125,000,000
Saskatchewan Economic Development Corporation	84,531,000	84,531,000	84,531,000
Saskatchewan Housing Corporation	307,913,000	307,913,000	227,763,000
Saskatchewan Land Bank Commission**	— —	184,436,000	174,936,000
Saskatchewan Mining Development Corporation	302,662,684	302,662,684	150,000,000
Saskatchewan Oil and Gas Corporation	25,000,000	25,000,000	25,000,000
Saskatchewan Power Corporation	1,792,162,074	1,653,974,717	1,292,177,233
Saskatchewan Telecommunications	657,211,810	690,223,667	592,018,667
Saskatchewan Water Supply Board	14,876,000	14,876,000	14,876,000
Total Crown Corporations	$ 3,979,078,568	$ 3,969,822,068	$ 3,097,072,900
Other:			
Agricultural Service Centres Agreement	$ 6,447,654	$ 6,448,622	$ 6,639,193
Federal-Provincial Employment Loans Program	885,360	964,170	1,044,403
Municipal Development Loan Fund	2,520,327	3,054,031	3,614,347
University of Saskatchewan	1,740,000	1,740,000	1,740,000
Total Other	$ 11,593,341	$ 12,206,823	$ 13,037,943
Total Reimbursable Debt	$ 3,990,671,909	$ 3,982,028,891	$ 3,110,110,843
Non-Reimbursable Debt			
Government of Saskatchewan***	$ 1,126,401,000	$ 395,950,000	$ 263,950,000
Total Non-Reimbursable Debt	$ 1,126,401,000	$ 395,950,000	$ 263,950,000
Gross Debt	$ 5,117,072,909	$ 4,377,978,891	$ 3,374,060,843

* The Saskatchewan FarmStart Corporation has been continued as the Agricultural Credit Corporation of Saskatchewan pursuant to The Agricultural Credit Corporation of Saskatchewan Act.

** The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84.

*** During 1983-84 the assets and liabilities of the Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Heritage Fund. Included in the amount shown is $184,436,000 which is repayable from proceeds from the sale of land held by the Heritage Fund.

Province of Saskatchewan
Debt Transactions

For the Eleven Month Period April 1, 1983 to February 29, 1984

Proceeds from Loans		
Debentures		
Public:		
11.50% Debentures due October 12, 1988 (Canada)	$ 125,000,000	
10.75% Debentures due December 21, 1988 (Canada)	100,000,000	
12.25% Debentures due March 30, 2003 (Canada)	125,000,000	
Non-Public:		
Canada Pension Plan Investment Fund (Canada)	94,869,000	
Total Debentures		$ 444,869,000
Promissory Notes		
Series PND (Canada)	$ 1,576,450,000	
Total Promissory Notes		1,576,450,000
Treasury Bills		
Series No. 1266 (Canada)	$ 1,280,000,000	
Series No. 1298 (Canada)	162,215,000	
Total Treasury Bills		1,442,215,000
Total Proceeds from Loans		$ 3,463,534,000
Repayment of Loans		
Debentures		
Public:		
4.125% Debentures due June 2, 1983 (U.S.)	$ 10,505,000	
5.00% Debentures due September 1, 1983 (Canada)	6,779,000	
4.75% Debentures due January 2, 1984 (U.S.)	11,677,000	
5.50% Debentures due January 15, 1984 (Canada)	5,377,000	
8.375% Debentures due January 28, 1984 (Canada)	25,000,000	
9.875% Debentures due November 3, 2000 (Canada)	64,815,000	
Non-Public:		
Issued to Government of Canada:		
Agricultural Service Centres Agreement	968	
Municipal Development Loan Fund	533,704	
Federal-Provincial Winter Capital Projects Fund	78,810	
Promissory Notes		
Series PND (Canada)	1,252,200,000	
Treasury Bills		
Series No. 1266 (Canada)	1,200,000,000	
Series No. 1272 (Canada)	2,023,500	
Series No. 1298 (Canada)	145,450,000	
Total Repayment of Loans		$ 2,724,439,982
Net Borrowing		$ 739,094,018

Province of Saskatchewan
Special Projects Fund
Statement of Budgetary Expenditure and Financing Activities

For the Year Ending March 31, 1985

		Estimated 1985
Budgetary Expenditure		
Advanced Education and Manpower	$	8,300,000
Health		14,000,000
Supply and Services		7,700,000
Total Budgetary Expenditure	$	30,000,000
Financing		
Funds provided from the Special Projects Fund	$	30,000,000
Special Projects Fund Balance, End of Year	$	— —

In fiscal year 1982-83, $30 million was allocated to the Special Projects Fund from the Consolidated Fund. The Special Projcts Fund was established by The Special Projects Fund Act.

The Special Projects Fund provides for capital expenditures of a social or economic nature. In fiscal year 1984-85, the $30 million allocated to the Fund will pay for capital projects in the health and education fields.

Under the provisions of The Special Projects Fund Act, the expenditure from the Consolidated Fund to the Special Projects Fund constituted a charge on the Consolidated Fund in fiscal year 1982-83. Hence 1984-85 expenditures of the Special Projects Fund are not included in the charts and tables of the Province's combined Consolidated Fund and Heritage Fund financing activities.

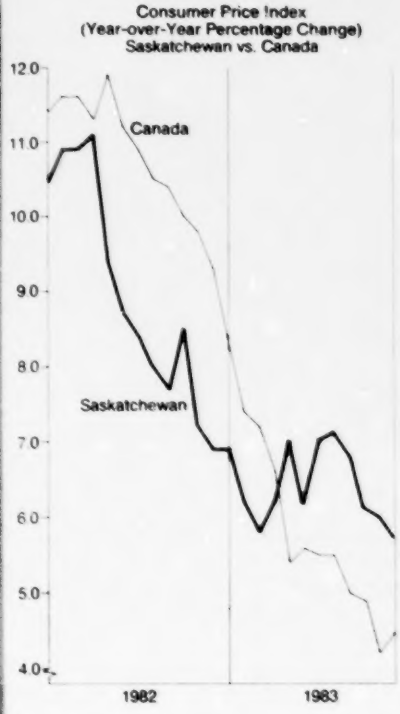
Province of Saskatchewan
Summary of Economic Indicators

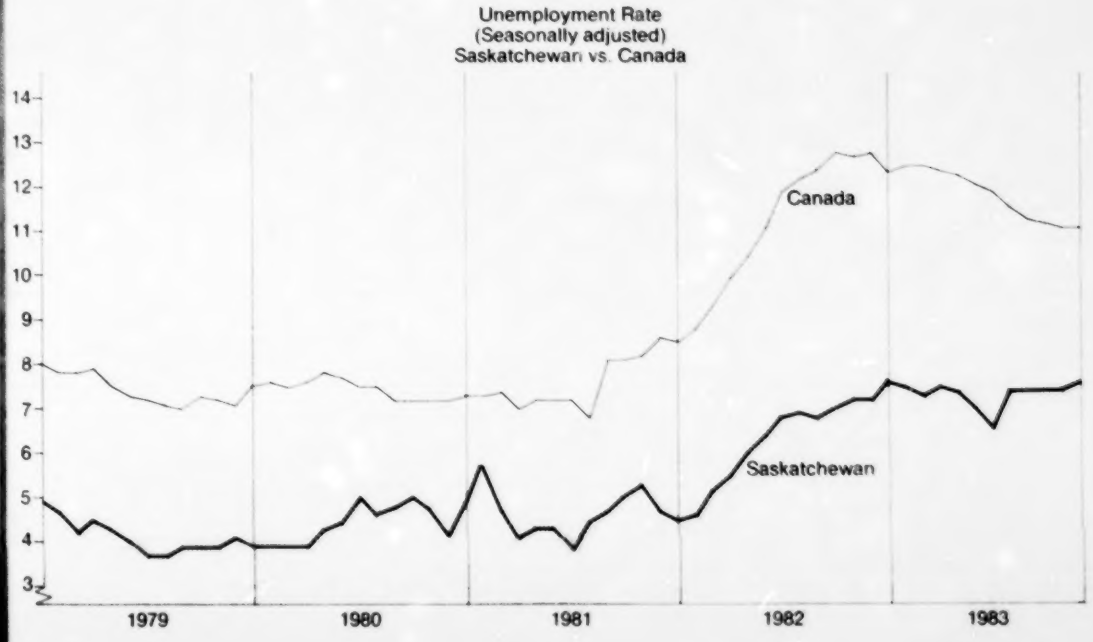
	1979	1980	1981	1982	1983*
Gross Domestic Product — Current Market Prices					
— Millions of Dollars	10,964	12,895	14,820	15,050	15,923
Annual Rate of Change — Percent	15.3	17.6	14.9	1.6	5.8
Per Capita — Dollars	11,529	13,446	15,310	13,373	16,035
Gross Domestic Product — Constant 1971 Prices					
— Millions of Dollars	4,954	5,070	5,434	5,182	5,260
Annual Rate of Change — Percent	1.9	2.3	7.2	(4.6)	1.5
Per Capita — 1971 Dollars	5,209	5,287	5,612	5,293	5,297
Gross National Product (Canada) — Constant 1971 Dollars					
— Millions of Dollars	130,362	131,675	136,114	130,069	133,841
Annual Rate of Change — Percent	3.2	1.0	3.4	(4.4)	3.0
Per Capita — Dollars	5,940	5,477	5,592	5,280	5,362
Personal Income					
— Millions of Dollars	7,914	8,911	11,375	12,117	12,638
Per Capita — Dollars	8,322	9,292	11,751	12,377	12,727
Farm Cash Receipts					
— Millions of Dollars	3,033	3,032	4,018	4,048	3,962
Value of Manufacturing Shipments					
— Millions of Dollars	1,863	2,118	2,504	2,362	2,444
Value of Retail Sales					
— Millions of Dollars	3,202	3,453	3,876	4,042	4,365
Value of Mineral Sales					
— Millions of Dollars	1,843	2,251	2,243	2,277	2,659
Private and Public Investment					
— Millions of Dollars	3,899	4,311	5,151	4,670	5,065
Housing Starts					
— Units	11,742	6,250	5,972	6,822	7,269
Consumer Price Index — Annual Percentage Change					
Regina	8.4	10.1	11.7	9.0	6.4
Saskatoon	8.9	10.5	11.7	8.9	6.3
Canada	9.2	10.2	12.5	10.8	5.8
Unemployment Rate — Percent					
Saskatchewan	4.2	4.4	4.7	6.2	7.4
Canada	7.5	7.5	7.6	11.0	11.9
Population**					
— Thousands	951	959	968	979	993

* Preliminary.
** As of June 1.

Sources: Saskatchewan Bureau of Statistics.
Saskatchewan Energy and Mines.
Statistics Canada.

Key Economic Indicators — Saskatchewan and Canada





Personal Income, Saskatchewan

(Millions of Dollars)

	1979	1980	1981	1982	1983*
Wages, Salaries and Supplementary Labour Income**	4,482	5,176	5,971	6,538	7,013
Net Income Received by Farm Operators from Farm Production	811	671	1,589	1,187	870
Net Income of Non-Farm Unincorporated Business	358	416	438	514	548
Interest, Dividends and Miscellaneous Investment Income	1,089	1,265	1,790	1,991	2,130
Current Transfers: From Government	1,138	1,341	1,544	1,845	2,023
From Corporations and Non-Residents	36	42	43	41	52
Total	7,914	8,911	11,375	12,117	12,638

* Saskatchewan Bureau of Statistics Estimate.
** Includes Military Pay and Allowances.

Notes: Calculated on the basis of Gross Domestic Product. Components may not add to totals due to rounding.
Sources: Statistics Canada, Gross National Product Division.
Saskatchewan Bureau of Statistics.

Farm Income, Saskatchewan

(Millions of Dollars)

	1979	1980	1981	1982	1983*
Wheat**	1,545	2,039	2,625	2,463	2,532
Barley**	177	159	267	261	272
Canola and Rapeseed	329	251	233	245	263
Other Crops	102	148	124	140	154
Total Crops	2,153	2,597	3,249	3,109	3,221
Cattle including calves	503	547	459	526	473
Hogs	75	75	79	90	78
Other Livestock and Livestock Products***	101	105	117	125	133
Total Livestock and Livestock Products	679	727	655	741	684
Advances, Deferments and Supplementary Payments****	200	(23)	114	198	57
Total Farm Cash Receipts	3,033	3,302	4,018	4,048	3,962
Income in Kind	36	36	35	37	38
Operating and Depreciation Expenses	2,036	2,359	2,859	3,050	3,086
Realized Net Farm Income	1,033	979	1,194	1,035	914
Inventory Change and Adjustments*****	(221)	(308)	395	152	(31)
Net Income Received by Farm Operators	811	671	1,589	1,187	883

* Statistics Canada.
** Includes Canadian Wheat Board payments.
*** Includes sheep, lambs, dairy products, poultry, eggs and other livestock products.
**** Includes stabilization and insurance payments, net advances and deferments.
***** Includes inventory changes and adjustments to Gross Domestic Product basis.

Note: Components may not add to totals due to rounding.
Sources: Statistics Canada, Farm Cash Receipts and Farm Net Income.
Saskatchewan Bureau of Statistics.

Value of Manufacturing Shipments, Saskatchewan

(Millions of Dollars)

	1979	1980	1981	1982	1983*
Food and Beverage	712	778	872	899	946
Wood	119	97	106	82	110
Printing and Publishing	81	95	103	115	117
Metal Fabrication	80	92	108	95	87
Machinery	131	158	188	141	136
Non-Metallic Mineral Production	111	114	135	116	139
Other	629	785	991	914	909
Total	1,863	2,118	2,504	2,362	2,444

* Preliminary.

Note: Components may not add to totals due to rounding.
Sources: Statistics Canada, Manufacturing Industries of Canada: National and Provincial Areas.
Saskatchewan Bureau of Statistics.

Value of Mineral Sales, Saskatchewan

(Millions of Dollars)

	1979	1980	1981	1982	1983*
Crude Oil	727	862	821	1,189	1,624
Potash	733	1,010	995	643	689
Uranium	258	232	258	251	120
Coal	20	30	42	62	73
Sodium Sulphate	23	27	36	44	51
Natural Gas	17	20	20	24	46
Other	64	70	68	64	56
Total	1,843	2,251	2,241	2,277	2,659

* Preliminary.

Note: Components may not add to totals due to rounding.
Source: Saskatchewan Energy and Mines.

Private and Public Investment, Saskatchewan

(Millions of Dollars)

	1979	1980	1981	1982	1983*
Agriculture	1,024	1,160	1,330	1,065	1,249
Mining	468	642	761	870	896
Manufacturing	143	162	183	144	156
Utilities	565	713	1,156	1,028	939
Trade, Finance and Commercial Services	424	430	525	381	398
Housing	654	562	493	483	653
Institutional Services and Government Departments	533	545	593	594	660
Other	89	97	110	105	115
Total	3,899	4,311	5,151	4,670	5,065

* Preliminary Actual.

Note: Components may not add to totals due to rounding.
Source: Statistics Canada, Private and Public Investment in Canada.

Population and Labour Force*, Saskatchewan

(Thousands)

	1979	1980	1981	1982	1983
Population**	951	959	968	979	993
Labour Force	428	437	446	455	470
Employed Labour Force	411	417	425	426	436
Unemployed Labour Force	18	19	21	28	35
Unemployment Rate — Percent	4.2	4.4	4.7	6.2	7.4

* Annual Averages.
** As of June 1.

Note: Components may not add to totals due to rounding.
Source: Statistics Canada, Historical Labour Force Statistics.

Saskatchewan's 1984 Income Tax System

Introduction

This budget paper is intended to promote a better understanding of the Saskatchewan income tax system. The paper describes the Saskatchewan income tax system as it has evolved into its present form. An integral part of this discussion is an explanation of how our income tax system interacts with the national tax system, while achieving provincial fiscal, social and economic objectives. The paper also describes the significant tax changes being introduced for 1984.

Background

The Canadian Constitution provides that both the federal government and the provinces have the ability to levy direct taxes, including income tax. The federal government was first to enter the income tax field in 1917 and it was described as a temporary measure to fund the country's war effort. The provinces seriously entered the income tax field during the great depression of the 1930's in order to offset fiscal pressures caused by lower incomes, high unemployment and demands for increased government expenditures. The introduction of varied provincial income tax systems during this period created an unmanageable "tax jungle" for the taxpayer.

For this reason, and because the federal government required maximum tax freedom during the Second World War, the provinces agreed to take a very passive role in the income tax field. During the 1940's and 50's, the provinces signed tax "rental" agreements with the federal government, in which they essentially gave up control of their ability to levy income tax in return for annual tax rental payments. The only exceptions were Quebec and Ontario which imposed corporate and personal income taxes based on the federal tax base.

Commencing in the 1960's, the provinces returned to being active participants in income taxation. All except Quebec signed a series of bi-lateral tax collection agreements with the federal government which allowed them to levy provincial income taxes as long as they agreed to accept federal government control over the tax base and the handling of all administrative functions. Quebec decided to administer its own personal and corporate income tax systems, although it has paralleled the federal tax base. Ontario's agreements applied to only personal income tax, as it chose to administer its own corporate income tax. In 1981, Alberta also chose to leave the tax collection agreements with respect to its corporate income tax.

Federal-Provincial Harmony

Under the Tax Collection Agreements, participating provinces accept the federal structure of income taxation and, in exchange, the federal government collects the provincial taxes at no administrative cost to the provinces. The result is that taxpayers in the participating provinces see only one deduction for income tax on their pay stubs and are required to prepare only one tax return.

This partnership arrangement is born out of necessity for Saskatchewan, since a separate provincial income tax system would be extremely costly to the Province and would create additional administrative complexities for the Saskatchewan resident.

The federal government defines virtually all aspects of the income tax structure, including:

- types of income subject to tax (employment, pension, investment, business, etc.);
- exemptions and deductions from income; and
- federal income tax rates, brackets and indexation factors, including a marginal tax rate structure for individuals and a dual tax rate for corporations.

Participating provinces are able to make independent decisions relating to only three specific areas:

- the determination of the total amount of provincial income tax revenue to be raised, by setting the provincial individual and corporate tax rates;
- the creation of provincial tax reductions and credits (which are federally

administered and subject to federal approval); and
- the allocation of taxable income among provinces (any changes to the allocation formulas require all-province agreement).

Because the federal government is solely responsible for determining income to be taxed, the provinces are placed in the position of having to participate in supporting the objectives of the national income tax system through a significant loss in provincial tax revenue, without providing input in setting the related social or economic policy being achieved. Examples of Saskatchewan's support of federal measures are as follows:

Provincial Funding of Federal Tax Measures

(1984 tax year)

	Saskatchewan Revenue Cost ($ millions)
Personal Income Tax Measures:	
Marital exemption	$27.5
Age exemption	14.2
Exemption for dependants	21.3
General employment expense deduction	17.5
Registered Retirement Savings Plan contributions	23.9
Charitable donations	13.8
$1,000 interest, dividends and capital gains deduction	22.8
Corporate Income Tax Measures:	
Resource allowance	$37.8
Accelerated depreciation for mining assets	2.5
Accelerated depreciation for manufacturing and processing assets	4.3
Fast write-off for Canadian exploration and development expenses	30.7

The federal measures listed above may all be worthy of support. However, the major drawback to our position in the tax collection agreements is that the Province is unable to veto tax policies it does not wish to support for provincial tax purposes.

Objectives of the Provincial Income Tax System

The provincial income tax system is primarily concerned with achieving three important objectives:

- it should help **generate sufficient revenue** to fund the level of services which the people of Saskatchewan desire;
- it should **be applied fairly** to all its provincial residents, and do so efficiently with minimal administrative burden and complexity to the taxfiler; and
- it should **help provide an appropriate climate** to encourage individuals and businesses to invest and create jobs.

Revenue Raising

Sufficient tax revenue must be raised from all sources to finance the Government's social and economic policies. The amount of revenue required depends upon the cost of providing the desired level of public services and the degree to which those services are provided efficiently. It also depends on the Government's fiscal policy.

Fairness and Equity

There are two major principles when dealing with the degree of fairness or "equity" inherent in the income tax system. The first deals with the notion that taxpayers with similar levels of income should be subject to similar tax

liabilities. The second considers that higher income taxpayers should not only pay higher tax in absolute terms, but should also pay a higher proportion of their income in tax.

These principles provide the basis for the national income tax system. All sources of an individual's income are aggregated and taxes levied on the basis of a marginal tax rate structure. Corporations also pay tax on a common income base and are subject to tax based on varying tax rates, as both the province and the federal government levy differing tax rates against small and large business.

The Province has increased the fairness of the personal income tax system, by the application of the Saskatchewan tax reductions, which reduce the tax liability of approximately 190,000 tax filers, and by the application of the provincial surtax, which is levied against Saskatchewan's higher income individuals.

1984 Taxpayer Profile

Total Income	Taxable Income	Basic Sask. Tax	Personal Tax Reduction	Surtax	Net Sask. Tax	Effective Sask. Tax Rate
$10,000	$ 305	$ 9	$ 260	$ —	$ 0	0%
15,000	5,100	367	228	—	139	2.7
20,000	9,895	820	92	—	728	7.4
25,000	14,803	1,308	—	—	1,308	8.8
30,000	19,803	1,855	—	—	1,855	9.4
40,000	29,803	3,105	—	—	3,105	10.4
50,000	39,803	4,511	—	61	4,572	11.5
75,000	64,803	8,446	—	533	8,979	13.9
100,000	89,803	12,781	—	1,054	13,834	15.4

Notes:

1. Assumes a taxpayer claiming a dependent spouse and two children under 16.
2. Effective Saskatchewan tax rate refers to the net Saskatchewan personal income tax payable as a percentage of taxable income. It does not consider the taxpayer's ability to use optional exemptions and deductions from income.

Economic Objectives

As noted in the previous section, the Province has been given some degree of flexibility in introducing measures which enhance the progressivity of the national income tax system. However, there has been less freedom for the Province in pursuing its economic objectives through the income tax system. Federal administration of provincial economic tax measures has historically been restricted for one or all of the following reasons:

(a) federal administration of our provincial income tax system would become more complex;

(b) the uniform progressivity of the national tax system would be altered; or

(c) the free flow of investment in Canada would be restricted.

The Province has therefore been faced with the prospect of encouraging economic objectives such as investment growth and increased job opportunities through automatic support of federal economic incentives, such as the $1,000 interest, dividends and capital gains deduction and the funding of accelerated write-offs for certain mining and resource assets, or through general changes in the provincial corporate and personal income tax rates.

In an effort to work within the federal principles, while maximizing the degree of tax flexibility which is available to the provinces, Saskatchewan has maintained a sound working relationship with the federal government concerning income tax matters. This has led to a constructive dialogue between the two governments, as evidenced by the creation of a federal-provincial committee to discuss issues affecting our common tax base.

This relationship has assisted us in arriving at an agreement with the federal government respecting two new tax measures which will target tax incentives toward specific Saskatchewan industries.

Saskatchewan Small Business Manufacturing and Processing Tax Reduction

The Small Business Manufacturing and Processing Tax Reduction creates a tax holiday for small businesses willing to operate in the Province's manufacturing and processing sector.

Commencing January 1, 1984, the Saskatchewan corporate income tax rate levied against the manufacturing and processing profits earned by small businesses in Saskatchewan is reduced from the current 10% to zero. This measure will increase the after-tax profits of successful companies operating in manufacturing and processing, thereby encouraging an expansion in their productive capacity.

The manufacturing and processing sector has been singled out for assistance because of the Government's desire to diversify the Saskatchewan economy and because manufacturing and processing is nearly limitless in terms of possible applications. As a result it is expected that this measure will help a wide range of businesses including both

(a) **Manufacturing and Processing Firms** — Primarily engaged in manufacturing and processing, these firms would be able to reduce their Saskatchewan income tax payable to zero on most or all of their active business income earned in the Province. Firms engaged in slaughtering and meat processing, commercial printing and publishing, metal fabricating and processing, agricultural implement manufacturing, scientific and professional equipment manufacturing, etc. would make optimal use of this measure; and

(b) **Related Firms** — Not primarily engaged in manufacturing and processing, but undertaking some manufacturing or processing activity as part of their business enterprise, these firms would receive a provincial tax reduction that would be proportional to their manufacturing and processing activity. Building contractors, wholesalers of farm machinery and equipment, motor vehicle dealers, drug stores and other retail outlets, hotels, restaurants, etc. could make use of this measure.

The federal budgetary proposal to expand the application of the small business tax rate to the first $200,000 of active business income of all Canadian-controlled private corporations will automatically expand the potential application of the Saskatchewan Small Business Manufacturing and Processing Tax Reduction. All manufacturing and processing profits included in that first $200,000 which are earned in Saskatchewan by private corporations will be eligible for the tax reduction.

Saskatchewan Tax Incentives Program

The Saskatchewan Tax Incentives Program creates a new opportunity for the Province to stimulate economic growth and development. Previously, the Government's only course of action was to provide assistance directly, through grants, subsidies and loan guarantees. Commencing in 1984, this measure will provide the Province with the ability to use the income tax system specifically to target incentives toward Saskatchewan-based industry.

The ability to issue tax credits allows the Province to move away from becoming directly involved in the business enterprise before being able to provide assistance. This leaves business with greater flexibility in making its investment decisions. It also ensures that financial benefits are directed

toward Saskatchewan residents, or those wishing to conduct business in the Province and establish permanent residency. Finally, the program provides for up to a seven-year carry forward of unused tax credits, thereby ensuring permanence and security to the taxpayer in being able to use the tax credits, while at the same time expanding the appeal of the tax credit to a wide range of potential participants, regardless of their current tax position.

The Government has carefully chosen the two applications of the Saskatchewan Tax Incentives Program. First, the Venture Capital Tax Credit (see Annex A) will encourage investment activity to occur in small businesses in the manufacturing and processing, tourism and research and development sectors of the Saskatchewan economy, by providing a tax credit equal to 30% of a taxpayer's equity investment. Each of these three sectors is an important contributor to our economic well-being and it is the Government's intent to encourage them in their development as much as possible. The 30% tax credit will provide a significant degree of support to industrial development in these sectors. For those investors who are tax exempt, such as pension plans, the 30% assistance will be paid as a cash grant.

Second, the Livestock Investment Tax Credit (see Annex B) will provide a much needed incentive to the red meat industry in Saskatchewan. It provides a $25 per head tax credit on cattle, a $3 per head tax credit on hogs and a $2 per head tax credit on lambs, which are finished and sold for slaughter. This new tax credit is intended to encourage both farm and non-farm investors to become involved in Saskatchewan's livestock finishing industry. This measure will also lead to increased activity in other related activities, such as feed mill operations, slaughtering and meat processing.

Conclusion

The measures announced in this budget are important steps in utilizing the provincial income tax system to foster economic growth. Instead of attempting to reduce the cost of production or subsidize price through direct government involvement, these tax incentives represent a "hands off" approach by encouraging investment while minimizing the government's involvement in the operating decisions of businesses.

This paper was prepared so that the Government could describe the significant changes to our income tax system and the objectives they attempt to achieve. It is hoped that greater public awareness of our tax system will encourage public interest and lead to an expanded consultative process with regard to provincial tax policy in the future. Enquiries regarding this paper should be directed to:

Taxation and Economic Policy
Department of Finance
9th Floor, 2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: 565-6720

Annex A

Venture Capital Tax Credit

General

The Venture Capital Tax Credit is intended to stimulate the growth of the Province's small business sector. It provides provincial tax incentives to both individuals and corporations who are willing to invest in Saskatchewan small businesses engaged primarily in manufacturing and processing, tourism and research and development.

Eligible Investors

A group of investors, or a single investor, can pool their capital and form a Venture Capital Corporation (VCC). The VCC can be either a public or private company incorporated under the *Business Corporations Act of Saskatchewan* and registered under the Department of Tourism and Small Business.

In order for the VCC to become registered, it must agree to supply investment capital to an eligible small business by making an equity investment. This investment must be in new equity shares carrying voting rights. A VCC is limited to purchasing up to 49 per cent of the voting shares of an eligible small business. Two or more VCCs can together own up to 49 per cent of the voting shares of the eligible small business.

There is no limit on the amount of investment the individual or corporation may make in the VCC, except to the extent that the VCC must raise a minimum of $100,000 in equity-based capital but not more than $5 million. The VCC must invest a minimum of 40 per cent of its capital in eligible small businesses by the end of its first eighteen months in existence and a minimum of 70 per cent of its capital after thirty months. The remaining capital must be held in liquid assets.

Eligible Small Business

In order to be eligible for VCC investment, a small business must meet the following criteria:

- be Canadian-controlled;
- have no more than 75 employees at the time of VCC investment;
- pay at least 75 per cent of its wages and salaries in respect of its Saskatchewan operations;
- operate at arm's length of the investing VCC; and
- be primarily engaged in manufacturing and processing, tourism activities or research and development.

Manufacturing and processing activities include those that transform raw, unfinished or prepared goods and materials into a marketable form for sale or lease.

Tourism activities include the operation and management by the owner of:

(i) a hotel, motel or resort primarily offering overnight accommodation at a tourist destination area; or

(ii) a commercial tourist attraction or recreational facility that is designed for and is used primarily by tourists, but not including a restaurant or other similar establishments.

Research and development activities include those primarily engaged in scientific research as defined under Section 2900 of the federal Income Tax Regulations. Permissible research and development activities also include the creation of new, or the improvement of, materials, products or processes.

The following activities are **not** eligible for VCC investment:

- farming;
- primary resources;
- construction;
- service and retail, excluding tourist activities; and
- real estate.

Provincial Tax Incentive

Eligible investors will receive a tax credit equal to 30 per cent of their investment in a VCC. This tax credit can be applied against net Saskatchewan tax payable in the current year, or it can be carried forward for up to seven years. Eligible investors who are exempt from paying income tax (for example, Saskatchewan pension funds) will receive a cash grant equal to 30 per cent of their VCC investment.

The value of the tax credit will not have to be included, for purposes of taxation, in the

income of the investor. The tax credit may be subject indirectly to tax upon disposal of the equity investment in the VCC. At that time, capital gains created by the sale of a VCC investment will not be increased by having received the tax credit, but capital losses created by the sale of a VCC investment can also not be increased by receipt of the tax credit.

Administration

The Department of Tourism and Small Business is responsible for handling all administrative functions relating to the investor and the creation of a VCC, and the determination of an eligible small business. For more information, please contact the following Tourism and Small Business office:

Saskatchewan Tourism and Small Business
5th Floor, Bank of Montreal Building
2103 11th Avenue
Regina, Saskatchewan
S4P 3V7

Telephone: 565-2235

Annex B

Livestock Investment Tax Credit

General

The Livestock Investment Tax Credit is intended to stimulate the finishing of livestock in Saskatchewan. It provides tax credits to both farm and non-farm investors who invest in cattle, hogs or lambs and market them for slaughter.

Eligible Claimants

All individuals and corporations who own eligible classes of livestock in Saskatchewan for a minimum feeding period and market them to slaughter between March 22, 1984 and December 31, 1986 inclusive will qualify for a credit against net Saskatchewan tax payable. There is no requirement that the claimant be directly involved in the feeding of livestock, so that non-farming investors who custom feed will qualify.

Eligibility of Animals

In order for the claimant to earn a tax credit, the livestock must meet the following criteria:

(a) Slaughter steers and heifers must be owned and fed by the claimant for a minimum of 75 days; hogs and lambs must be owned and fed by the claimant for a minimum of 60 days.
(b) Eligible animals may be slaughtered at a federally graded plant in or outside Saskatchewan or at ungraded abattoirs in Saskatchewan.
(c) Animals slaughtered at federally graded plants must meet the following quality criteria:
    — Cattle — Canada Grade A or B;
    — Hogs — Canada Index 80+;
    — Lambs — Canada Grade A or B.
(d) All slaughter steers and heifers, hogs and lambs, excluding breeding animals and unfinished animals, slaughtered at ungraded Saskatchewan abattoirs are eligible.

Tax Credit

Eligible claimants can earn a per head tax credit on eligible livestock equal to:

(a) for cattle, $25 per steer or heifer;
(b) for hogs, $3 per hog; and
(c) for lambs, $2 per lamb.

Each claimant will be subject to a deductible of $100 per year.

Tax credits can be applied against the claimant's current year net Saskatchewan tax payable, or be carried forward for up to seven years. They are the property of the claimant and are non-transferable. Tax credits must be included in the income of the claimant for tax purposes.

Administration

The Department of Agriculture is responsible for handling all administrative functions relating to claimant and livestock eligibility. For more information, please contact the following Agriculture office:

Saskatchewan Agriculture
Walter Scott Building
3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Telephone: 565-5170

Provincial-Local Government Fiscal Relations

Introduction

Local governments have traditionally been responsible for the provision of a range of property-related services, as well as people-oriented services such as recreation, education and other social programs.

Over the decades, there has been a substantial growth in the expenditures required to maintain some of the traditional services delivered by local governments and there has also been a growth in demand for new and expanded services. Because of the limited powers of taxation assigned to local governments, it became necessary for the provincial government, with its broader revenue base, to supplement local government revenue to enable them to fulfil their obligations.

Grants to schools expanded dramatically in the 1960s and 1970s in response to needs in the education sector. In the 1970s, two major new grant programs, Revenue Sharing and the Community Capital Fund, were implemented to help meet the needs in the municipal sector. Over time, adjustments were made to the distribution mechanisms for these programs and new grant programs were added to respond to new situations and issues as they arose.

While these and other grant programs have made it possible for local governments to provide the services which were needed, the growth in provincial contributions has also served to blur traditional perceptions regarding the division of responsibilities between the province and local governments. In addition, despite major infusions of provincial funds into local government, concerns continue to arise regarding the pressures on local revenue sources, particularly the property tax.

It is the intention of the Government of Saskatchewan to embark upon a major evaluation of the financing of local government, including the question of provincial-municipal fiscal relationships, in order to address these and other issues. This Budget Paper elaborates upon the need for a review and sets out the general parameters for the timing and the forum in which possible reforms can be analyzed and discussed.

Issues for Review

A. The Property Tax

The property tax represents the most important source of revenue to local governments. In 1983, in excess of $560 million was raised through this tax to finance municipal, school, library and hospital activities. Its annual yield is exceeded in Saskatchewan only by the provincial personal income tax and provincial oil revenues.

The property tax provides local governments with a revenue source which is stable (relatively insensitive to short run changes in the economy) and predictable (thus insulating local governments from uncertainty about tax revenue). On the other hand, the tax is often maligned and has come under considerable criticism on a number of accounts.

First, reliance on a single tax as a source of revenue lessens the flexibility of local governments to make fiscal adjustments in response to changes in economic circumstances. In addition, the slow growth of the tax base does not enable local governments, as mature economic partners with the provincial government, to share proportionately in the benefits of economic prosperity.

Second, it has been argued that the property tax should be used solely to finance property related services. The appropriateness of the tax to fund services of a broader nature, such as education, has been questioned. Many perceive other tax sources at the provincial level to be more equitable.

Finally, the continued use of the property tax by local governments to generate more revenue may have reached its limit. Many taxpayers in Saskatchewan and elsewhere have voiced their concern that the tax has become an onerous burden resulting in economic distortions and inequities.

Taken together, these arguments point to the need for a review of the property tax in order

to reassess it in the context of the economic realities of the 1980's. Alternatives for the financing of elementary and secondary education could be considered. The goal should be to strengthen our education system and improve the quality of education that our children receive while maintaining the necessary autonomy and accountability of local school divisions. In terms of the structure of the tax the following issues need to be addressed:

— Are variable mill rates a viable approach?
— Should changes be made to the business tax?
— What should be done about industrial tax base sharing?
— How should property tax re-assessment be approached in the future?
— Should grants-in-lieu, including SPC grants and surchanges, be altered?

B. **Property Tax Rebates**

Each year over 400,000 applications are received from Saskatchewan households for either a Property Improvement Grant, a Senior Citizens' School Tax Rebate or a Renters' Rebate. The estimated 1984-85 cost of these programs is $83.9 million, not including the new Home Quarter Tax Assistance Program.

The original intention of these grant programs was to reduce the burden of local school property taxes by providing a partial rebate of taxes paid. However, in recent years, the purpose of the grants has become obscured and many families treat the grant as an annual "windfall" from the government.

A number of issues arise in regard to the future of the rebate programs:

— Is it more practical to have the rebates deducted directly from the property tax billed at the local level?
— Are the grant levels appropriate?
— Could the $83.6 million be used to support local government in a more advantageous manner?

C. **Division of Responsibilities**

The Province shares in the costs of providing locally-delivered services through a variety of conditional and unconditional grant programs. The largest of these grant programs is for education, where in 1984-85, $350 million will be paid to school divisions, primarily on an unconditional basis. Other grants are paid to support services such as municipal transit operations, city health units and libraries.

There are no inherent principles which determine the appropriate local and provincial shares for such services. A frequent result is that the provincial government is criticized for insufficient funding. In some cases, particularly where grants are paid on a conditional basis, the Province is criticized for distorting local priorities.

There would appear to be merit in examining the division of responsibilities between the Province and local governments to determine whether there would be a more advantageous alignment of program delivery and revenue-generating capabilities. Some of the issues which should be considered include:

— Are there programs currently provided by the Province which would be better provided by municipalities?
— Conversely, are there programs for which the Province should bear full responsibility?
— Should we better define exactly what services Revenue Sharing is intended to cover?

D. **Operating Grants**

Ideally, a system of provincial transfers to local governments should be simple in design, stable in its yield, equitable in its distribution and relatively predictable while enhancing local autonomy and accountability.

A review of Revenue Sharing has been under way for nearly two years. There appears to be a relatively high level of satisfaction with the current rural and urban distributional formulas, but discussions on alternative escalators has been inconclusive. There are, however, a number of alternatives to Revenue Sharing which could be explored as a means of providing municipalities with adequate revenues. For example, tax base sharing and dedicated taxes could provide a vehicle for strengthening local autonomy and accountability.

School operating grants are paid to school boards largely unconditionally on the basis of

an equalization or foundation formula in which local expenditure requirements and revenue-generating capacities for each school division are taken into account. Although the formula has not been subject to major criticism, any review of intergovernmental fiscal transfers should evaluate whether it will continue to fulfill its objective of an equitable distribution of provincial financial assistance to school boards.

Apart from an examination of the major unconditional grant programs, there would also seem to be merit in examining the structure of the smaller conditional operating grant programs, areas in which new programs should be developed and the future role of various levies such as the Hospital Revenue Tax.

E. **Capital Grants**

The Province currently provides a number of conditional capital grants as well as the unconditional Community Capital Fund. This latter program will expire at the end of 1984-85.

In some instances, provincial capital grant programs create an incentive for municipalities to build what the Province is prepared to subsidize, which may or may not coincide with what the municipality requires most. Furthermore, the capital grant programs do not encourage municipalities or school boards to develop long-term capital plans, explore alternatives to new construction and, occasionally, to control capital costs.

The following issues need to be considered in light of the structure of the current school capital grant program and the potential need for a replacement program for the Community Capital Fund in 1985-86:

- Should an unconditional capital grant pool for municipalities similar to Revenue Sharing be created? Should municipalities contribute to it?
- What steps can be taken to improve the financial planning capabilities of local governments?
- Should the current mix of conditional and unconditional capital grant programs be altered?
- How should the capital needs of rural municipalities be approached?
- Should alternatives to direct grants such as interest rate write-downs be considered?

A Forum and Timeframe

While there are a variety of forums in which issues pertaining to provincial-local government fiscal relations could be discussed, the Government of Saskatchewan believes that it is important to try to resolve the major issues in an expedient manner.

His Worship, the Mayor of Moose Jaw, previously suggested that a conference in the fall of 1984, attended by provincial and local government elected representatives and officials, be held to discuss the financing of local government. The Province agrees with this approach.

In order to solicit views on agenda items and to begin the work of building consensus on policy issues, alternatives and solutions, a Commission on Local Government Finance will be established. The Commission will be accessible to local governments so that both levels of government will come to the Fall Conference with informed positions developed in the knowledge of each other's point of view. The Commission will be responsible for research and policy analysis, maintaining an ongoing dialogue with the local sector and will report to a Cabinet Committee which includes the Ministers of Finance, Urban Affairs, Education and Rural Development.

In the fall of this year, a conference on the financing of local government will be held. Participants at the conference will be representatives of local government, Cabinet ministers, and various officials. Following the conference, further consultations will occur with the objective of having a reform package incorporated into the 1985-86 provincial budget. Any outstanding issues will be delegated to the Commission for follow-up during 1985-86.

The Government of Saskatchewan is prepared to move in a positive and co-operative manner in order to achieve an early resolution to local government financing issues. The challenges of the 1980's are upon us.

Government Borrowing, Debt Service Costs and Credit Ratings

The 1984-85 Saskatchewan Budget indicates that the Province will borrow an estimated $1,075.9 million. Of this amount more than 75 per cent will be borrowed on behalf of Saskatchewan's Crown corporations such as Sask Power and Sask Tel. The Crown corporations will be responsible for paying the interest on this debt, as well as, the repayment of principal. Therefore, Crown corporation borrowings do not represent a burden on the Saskatchewan treasury. The remaining amount of estimated borrowing in 1984-85 will be used to finance the budgetary deficit of the government.

While it is necessary for governments to incur deficits during difficult economic times, it is imperative that such deficits be contained to manageable levels. Saskatchewan's strong fiscal position ranks as one of the best among the provinces, as indicated in Table 1 below:

Table 1: 1983-84 Provincial Government Budgetary Deficit Positions

	Millions of Dollars	Dollars Per Capita	% of Budgetary Revenue	% of Gross Domestic Product
British Columbia	$1,307.0 a	$463	18.4%	3.0%
Alberta	177.5 b, c	76	1.9	0.4
Saskatchewan	**335.0 a, c**	**338**	**12.2**	**2.1**
Manitoba	491.9 a	470	17.8	3.6
Ontario	3,539.0 a	401	16.7	2.6
Quebec	3,185.0 b	488	15.1	4.0
New Brunswick	377.4 a, d	534	16.9	5.5
Nova Scotia	449.4 b, d	523	18.8	5.2
Prince Edward Island	40.0 b, d	323	10.1	3.8
Newfoundland	247.1 a, d	428	13.2	5.0

a Revised estimate.
b Budget estimate.
c Includes Heritage Fund.
d Where current and capital accounts are presented separately, they have been combined for the purposes of this analysis.

The Province of Saskatchewan will also borrow on a temporary basis at various times during the year to finance periodic shortfalls in its operating cash position which arise from the difference in timing of revenues and expenditures. These borrowings are not shown in the Budget Estimates since they are normally repaid by year-end. However, the interest cost associated with this temporary financing is included in the estimated interest costs of the Province for the year.

In comparison with other provincial governments, Saskatchewan again is in a favourable position in terms of government debt service costs as indicated in Table 2 below:

Table 2: 1983-84 Provincial Government Debt Service Costs

	Millions of Dollars	Dollars Per Capita	% of Budgetary Revenue	% of Gross Domestic Product
British Columbia	$ 149.3 a	$ 53	2.1%	0.3%
Alberta	150.3 b	64	1.6	0.3
Saskatchewan	**65.5 a**	**66**	**2.3**	**0.4**
Manitoba	282.0 b	269	10.3	2.0
Ontario	2,553.0 a	290	12.1	1.9
Quebec	2,061.0 b	316	9.8	2.6
New Brunswick	293.2 a	415	13.2	4.3
Nova Scotia	414.6 b	483	17.4	4.8
Prince Edward Island	56.5 b	456	14.2	5.4
Newfoundland	303.2 b	525	15.8	6.2

a Revised estimate.
b Budget estimate.

During 1984-85, Saskatchewan is expected to maintain its high ranking among the provinces in terms of fiscal performance. The budgetary deficit is estimated to be $267.2 million, down 20 per cent from the 1983-84 level.

Bond rating agencies in Canada and the United States have recently recognized Saskatchewan's favourable financial, as well as, economic position. In January and February of 1984, the Province's credit rating has been confirmed by the rating agencies as one of the best in Canadian and world capital markets. Table 3, below provides the various provincial government credit ratings.

Table 3: Provincial Government Credit Ratings

	Canadian Bond Rating Service	Moody's Investors Service	Standard and Poor's Corporation
British Columbia	AA	Aa1	AA+
Alberta	AAA	Aaa	AAA
Saskatchewan	**AA (high)**	**Aa1**	**AA+**
Manitoba	AA (low)	Aa	AA-
Ontario	AAA (low)	Aaa	AAA
Quebec	A	A1	AA-
New Brunswick	A	A	A+
Nova Scotia	A (low)	A	A
Prince Edward Island	BBB (high)	Not Rated	Not Rated
Newfoundland	BBB (high)	Baa1	A

For further information on this budget paper contact:

Investment and Financial Services
Division
Department of Finance
6th Floor, 2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 565-6751

Saskatchewan Expenditures for a Typical Household

The chart below illustrates the level and types of expenditures the Government of Saskatchewan will make in 1984-85 for the typical Saskatchewan family of four. In the upcoming budget year, the Government will spend $3279 for every man, woman and child in the Province. For a hypothetical family of four, this works out to a total of $13,116.

As the chart shows, the majority, or 53 percent of all government expenditures, are for education and health services. For a family of four this means an average expenditure of almost $7,000. These expenditures go towards public and secondary schools, universities, technical institutes and community colleges, as well as hospitals, physicians' services, nursing homes, prescription drugs, the children's dental plan, ambulance services and a complete range of other health services.

A further 22 percent of all government expenditures, or $2,933 for a family of four, is spent on other direct services which benefit the typical household in this Province. Some of the benefits include:

- provincial parks, cultural and recreational facilities
- the construction and maintenance of highways
- grants to municipal governments to provide local services
- policing, courts and provincial jails
- property tax rebates

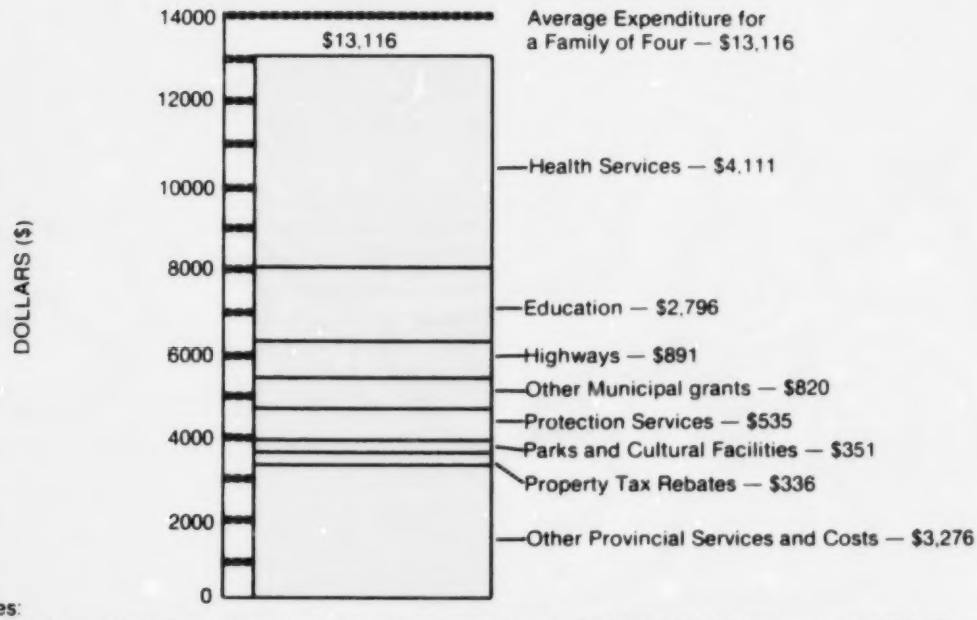
The remaining 25 percent of the expenditure budget finances such programs as social assistance and economic development programs to assist Saskatchewan industries in the agricultural, energy, mining, forestry and tourism sectors.

Enquiries regarding this paper should be directed to:

Treasury Board Division
Department of Finance
10th Floor, 2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: 565-6780

Average Provincial Expenditures for a Typical Saskatchewan Family of Four Persons



Notes:
1. Total combined Consolidated and Heritage Expenditures of $3,278,925,320 in fiscal year 1984-85.
2. Projected Saskatchewan population of One Million in 1984.

1984 Saskatchewan Tax Expenditures

The income and commodity tax systems of the Government of Saskatchewan contain a number of special provisions which provide benefits to individuals and corporations through an exemption or reduction in tax.

These provisions result in foregone or postponed revenue and, as such, are a cost incurred by the Government similar in effect to direct budgetary expenditure.

Provisions of the tax system which afford preferential or special treatment to specified individuals or groups are referred to as "tax expenditures". Tax expenditures can be in the form of exemptions, deductions, preferential tax rates, credits, deferrals or omissions and are used to achieve a variety of social and economic objectives.

Tax expenditures provide assistance to homeowners, farmers, senior citizens, small businesses and others. The following table is intended to inform the Legislative Assembly and the people of Saskatchewan of the major tax expenditures* of benefit to Saskatchewan residents.

It is important to note that the effect of a series of tax expenditures cannot necessarily be obtained by adding together the revenue effects of the individual items. Because of the interrelationships among tax measures, particularly in the income tax system, the combined effect of two or more tax expenditures may be more or less than the sum of the separate effects.

* The tax expenditure estimates were calculated using tax collection data and Statistics Canada data. A computer income tax simulation model was employed for the individual income tax measures. The model calculates the revenue reduction associated with each tax expenditure by assuming that the only modification to the current income tax system is the removal of the specific provision being considered.

Government of Saskatchewan
1984 Tax Expenditure Account

(Value of Tax Expenditures in Millions of Dollars)

Individual Income Tax

Exemptions	
1. Marital exemption	$27.5
2. Equivalent to married exemption	4.5
3. Age exemption	14.2
4. Exemptions for dependents	21.3
Employment Expense Deductions	
1. General employment expense deduction	17.5
2. Annual union, professional or like dues	3.9
3. Other employment expenses	4.8
Pension Deductions	
1. Canada Pension Plan contributions	12.1
2. Registered Pension Plan contributions	14.9
3. Registered Retirement Savings Plan contributions	23.9
4. $1,000 pension income deduction	2.2
Medical and Charitable Deductions	
1. Medical expenses	1.3
2. Charitable donations	13.8

Education Deductions	
1. Tuition fees	1.3
2. $50 per month education deduction	.6
Other Deductions	
1. Unemployment insurance premiums	13.4
2. R.H.O.S.P. contributions	3.4
3. Child care expenses	1.9
4. $1,000 interest, dividends, and capital gains deduction	22.8
5. Moving expenses	1.4
6. Carrying charges	5.9
7. Deductibility of support payments	1.9
8. Deductions transferred from spouse	4.6
Provincial Tax Measures	
1. $160 tax reduction	16.0
2. $50 per dependent child tax reduction	5.0
3. $50 per senior citizen tax reduction	1.0
4. Saskatchewan Tax Incentives Program	10.0
5. Capital Gains Tax Rebate	3.0
6. Savings from indexing (see Note)	19.6

Corporation Income Tax

1. Lower tax rate for small business	$11.2
2. Small Business Manufacturing and Processing Tax Reduction	4.0
3. Saskatchewan Royalty Tax Rebate	10.0
4. Resource Allowance	37.8
5. Fast write-off for Canadian exploration and development expenses and depletion allowance	30.7
6. Accelerated depreciation for mining assets and two-year write-off on manufacturing and processing assets	6.8

Corporation Capital Tax

1. General exemption of $10,000,000	$ 9.7
2. Exploration and development expense allowance	2.5
3. Exemption for federal Crown corporations	2.9
4. Exemption for co-operatives, credit unions, family farm corporations and insurance companies	2.1

Sales Taxes

Exemptions	
1. Children's clothing and footwear	$ 2.9
2. Construction services	76.6
3. Drugs and medicines	5.0
4. Electricity — residences, farms and recreation facilities	5.9
5. Farm machinery and repair parts	40.8
6. Fertilizer, pesticide and seed	21.5
7. Food	73.0
8. Personal services	10.3
9. Reading materials	3.9
10. Services for repairs to personal property	15.0
11. Used goods	19.5

Note: The savings from indexing are calculated for the 1984 tax system compared to 1983 and do not represent the cumulative savings since indexing was introduced in 1974.

For further information on Saskatchewan's Tax Expenditures contact:

Taxation and Economic Policy
Department of Finance
9th Floor, 2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: 565-6720

1984 Interprovincial Comparison of Personal Taxes and Charges

These tables show the most typical taxes and charges that an average family of two adults and two children would face across the country.

If tax credits and rebates are included with provincial income tax, Saskatchewan has a relatively low income tax burden. Those provinces with lower income tax rates than Saskatchewan also are the provinces with health care premiums.

Saskatchewan has the lowest overall tax burden for low income earners and the second lowest tax burden for the $25,000 and $35,000 income brackets. The absence of a gasoline tax and health care premiums are major factors in this favourable tax position.

When this low overall tax burden is combined with the lowest total personal charges in the country for car insurance, telephone, home heating and electricity expenses, Saskatchewan has the lowest personal taxes and charges at the $15,000 and $25,000 income levels and the second lowest personal taxes and charges at the $35,000 income level.

1984 Interprovincial Comparison of Personal Taxes and Charges

TABLE 1: For a Taxpayer with Total Income of $15,000 per annum

	British Columbia	Alberta	**Sask-atchewan**	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland
Provincial Income Tax	$ 329	$ 170	**$ 139**	$ 389	$ 357	$ 454	$ 418	$ 407	$ 378	$ 432
Tax Credits and Rebates	(380)	(200)	**(230)**	(526)	(266)	(322)	—	—	—	—
Health Premiums	408	336	**—**	—	510	—	—	—	—	—
Retail Sales Tax	255	—	**175**	234	285	268	343	324	316	497
Gasoline Tax	205	—	**—**	203	216	320	219	243	270	265
Sub-Total	$ 817	$ 306	**$ 84**	$ 300	$1,102	$ 720	$ 980	$ 974	$ 964	$1,194
Car Insurance	$ 643	$ 799	**$ 453**	$ 421	$ 912	$ 722	$ 576	$ 606	$ 506	$ 590
Telephone	158	93	**100**	86	155	144	145	154	150	143
Home Heating	773	595	**629**	847	1,067	1,166	1,573	1,573	1,578	1,652
Electricity	384	387	**340**	296	323	317	487	514	884	491
Sub-Total	$1,958	$1,874	**$1,522**	$1,650	$2,457	$2,349	$2,781	$2,847	$3,118	$2,876
Total	$2,775	$2,180	**$1,606**	$1,950	$3,559	$3,069	$3,761	$3,821	$4,082	$4,070

Notes:

The tables are based upon a taxpayer claiming a spouse and two children (one child aged 6 or under and one child aged 12-15). Total income includes earned income and family allowance payments (at 1984 rates). In order to compensate for higher family allowance payments in Quebec, earned income in this province is correspondingly adjusted. In addition to personal exemptions, the employment expense deduction and C.P.P./Q.P.P. and U.I. contributions calculated at 1984 rates are deducted in computing tax. Gross Quebec personal income tax has been reduced by 16.5% of federal basic tax in respect of contracting out of certain federal-provincial programs. Provision is made in the calculation for provincial tax reductions where applicable.

Tax credits and rebates refer to provincial income tax credits and grants or rebates designed to reduce the burden of property taxes, such as Saskatchewan's Property Improvement Grant. The taxpayer is assumed to own a home upon which $1,000 in property taxes are paid.

Health premiums are annual family premiums for hospital insurance and medical services. No provision is made for employer subsidization of these premiums.

TABLE 2: For a Taxpayer with Total Income of $25,000 per annum

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland
Provincial Income Tax	$1,173	$1,115	**$1,308**	$1,385	$1,287	$2,045	$1,487	$1,449	$1,346	$1,538
Tax Credits and Rebates	(380)	(200)	**(230)**	(369)	(72)	(150)	—	—	—	—
Health Premiums	408	336	—	—	680	—	—	—	—	—
Retail Sales Tax	425	—	**291**	391	475	446	572	540	527	828
Gasoline Tax	205	—	—	203	216	320	219	243	270	265
Sub-Total	$1,831	$1,251	**$1,369**	$1,610	$2,586	$2,661	$2,278	$2,232	$2,143	$2,631
Car Insurance	$ 643	$ 799	**$ 453**	$ 421	$ 912	$ 722	$ 576	$ 606	$ 506	$ 590
Telephone	158	93	**100**	86	155	144	145	154	150	143
Home Heating	773	595	**629**	847	1,067	1,166	1,573	1,573	1,578	1,652
Electricity	384	387	**340**	296	323	317	487	514	884	491
Sub-Total	$1,958	$1,874	**$1,522**	$1,650	$2,457	$2,349	$2,781	$2,847	$3,118	$2,876
Total	$3,789	$3,125	**$2,891**	$3,260	$5,043	$5,010	$5,059	$5,079	$5,261	$5,507

Notes:

Retail sales tax was determined by obtaining average expenditures for a family of four from **Family Expenditure in Canada, 1978** (Statistics Canada 62-550). The sales tax base in each province was identified from the various provincial Acts. An estimate was then made of total taxable family expenditures in each province (excluding expenditures on electricity and heating fuels).

Gasoline tax is based upon an annual consumption of 2,700 litres of gasoline.

The following cities were surveyed for the remaining charges: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Saint John, Halifax, Charlottetown and St. John's. All rates are as obtained in February 1984.

— Car insurance is based upon the rate for a married male over 30 years of age, driving a 1981 Dodge Aries. Coverage includes $500,000 third party liability, $100 deductible collision and $50 deductible comprehensive.

— Home heating assumes an annual consumption of 168 mcf of natural gas. For the Atlantic Provinces the figures represent the BTU equivalent consumption of fuel oil. Rates include taxes and surcharges which may be applicable.

— Charges for electricity are based upon an annual consumption of 7,200 kW.h. Rates include taxes and surcharges which may be applicable.

TABLE 3: For a Taxpayer with Total Income of $35,000 per annum

	British Columbia	Alberta	**Sask-atchewan**	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland
Provincial Income Tax	$2,214	$2,104	**$2,467**	$2,612	$2,433	$4,028	$2,806	$2,733	$2,540	$2,903
Tax Credits and Rebates	(380)	(200)	**(230)**	(325)	—	—	—	—	—	—
Health Premiums	408	336	**—**	—	680	—	—	—	—	—
Retail Sales Tax	594	—	**408**	547	666	625	801	756	738	1,159
Gasoline Tax	205	—	**—**	203	216	320	219	243	270	265
Sub-Total	$3,041	$2,240	**$2,645**	$3,037	$3,995	$4,973	$3,826	$3,732	$3,548	$4,327
Car Insurance	$ 643	$ 799	**$ 453**	$ 421	$ 912	$ 722	$ 576	$ 606	$ 506	$ 590
Telephone	158	93	**100**	86	155	144	145	154	150	143
Home Heating	773	595	**629**	847	1,067	1,166	1,573	1,573	1,578	1,652
Electricity	384	387	**340**	296	323	317	487	514	884	491
Sub-Total	$1,958	$1,874	**$1,522**	$1,650	$2,457	$2,349	$2,781	$2,847	$3,118	$2,876
Total	$4,999	$4,114	**$4,167**	$4,687	$6,452	$7,322	$6,607	$6,579	$6,666	$7,203

Budget Address Highlights

March, 1984

The Hon. Bob Andrew
Minister of Finance

Province of
Saskatchewan

Honourable Bob Andrew
Minister of Finance

"We are at a turning point. Now is the time for new ideas.

We need a forward looking budget that introduces a new set of tools to deal with our emerging economic opportunities.

Tonight, I will announce a major new program of economic development initiatives designed to mobilize the full range of Saskatchewan's resources and talents to generate new investment and new employment.

I believe this budget provides a further demonstration of the pledge we gave on assuming office: to keep what needed keeping, to change what needed changing, and above all, to be responsive to the needs of the Saskatchewan people."

Budget Address, March 21, 1984.

Principles of the Budget

The budget is based on four basic principles:

- First, now is the time to reduce the deficit.
- Second, if at all possible, there should be no increase in either personal income tax or sales tax.
- Third, we must find new ways to encourage economic growth and create long-term jobs.
- Fourth, we will not contemplate cuts in spending for basic health and education programs.

Economic Development and Investment Strategy

Small Business

— A Venture Capital Tax Credit to provide a 30 per cent provincial income tax credit to investors in venture capital corporations providing equity capital to small manufacturing, processing, tourism, and research and development firms.

— A new Industrial Incentives Program to provide one time payments of $7,500 for each new permanent job created in manufacturing and processing firms.

— Elimination of the provincial corporate tax on small manufacturing and processing firms.

— Elimination of the sales tax on research and development prototypes.

— A new program to help small businesses obtain longer-term loans at fixed interest rates.

Agriculture

— A new Livestock Investment Tax Credit for farmers to stimulate our livestock industry.

— Elimination of school property taxes on the home quarter, worth $11 million annually.

— Lower interest rates and expanded loans from the Agricultural Credit Corporation.

— A $4 million fund to assist farmers with viable operations who need temporary financial assistance.

— Increased financial assistance for the development of irrigation systems.

Other Major Sectors

— A new strategy to encourage the development of the gold and base metals industry.

— A new forestry strategy emphasizing long-term management with opportunities for small operators.

— A strong emphasis on tourism as a key sector of the economy, including improvements at Black Strap, Lake Diefenbaker, Wapiti, Pike Lake, Regina Beach and Meadow Lake.

— A $1.2 billion capital construction program.

— A new 5-year, $20 million Senior Citizens' Home Repair Program.

— A new $6 million fund to provide second mortgage financing to builders supplying rental accommodations.

Crown Corporation Reform

— New Savings and Investment Bonds to allow Saskatchewan residents to participate directly in the province's Crown corporations.

— Removal of the sales tax on electricity for farm and residential consumers to hold their power bill increases under 5 per cent.

Social Policy Strategy

— Health care expenditures will exceed $1 billion in 1984-85.

— A new 5-year, $25 million nursing home construction program to add 1,000 new nursing home beds and replace a further 500 existing ones.

— Three new initiatives for Senior Citizens:

- First, Saskatchewan Income Plan payments for single senior citizens have been doubled to $50 per month, and payments to couples have been increased by 67 per cent to $75 per month.
- Second, grants of up to $1,000 under the Senior Citizens' Home Repair Program.
- Third, a $6 million enrichment to expand the number of long-term care beds in the province.

— 850 new training spaces in the Technical Institutes.

— 3,500 new training spaces in the Community Colleges.

— A six-point job creation program for young people to create 5,600 new jobs.

— Reform of the welfare program to eliminate abuse, with emphasis on skill training, job placement and community service.

— A Commission to examine and propose improvements to the financial relationships between the province and municipalities.

Financial Management Strategy

— Deficit cut by 20 per cent.

— The lowest increase in Saskatchewan government spending in 18 years.

— For public service managers, a zero salary scale increase in 1984.

— A determination to make the operation of government more productive and efficient.

How Your Tax Dollar is Spent

— Saskatchewan families earning up to $25,000 pay the lowest average personal taxes and utility charges in Canada. At $35,000, the Saskatchewan family is in the second best position.

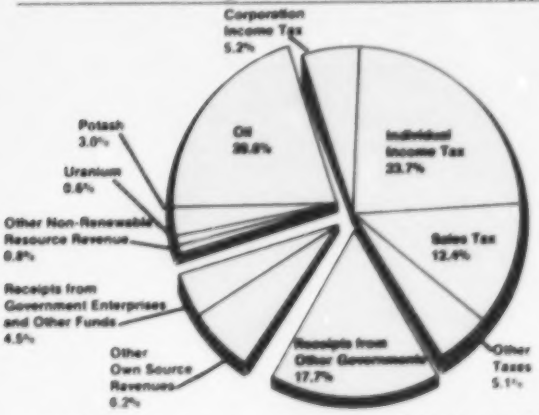
— During 1984-85, the government will spend $3,279 for every resident in the province. This works out to benefits totalling over $13,000 for a typical family of four.

— $7,000 of this total goes towards health and education services, including public and secondary schools, universities, technical institutes and community colleges, as well as hospitals, physicians' services, nursing homes, prescription drugs, the children's dental plan, ambulance and many other health services.

— $3,000 is spent on other direct services such as provincial parks, recreational facilities, highways, grants to provide municipal services, policing, courts and property tax rebates.

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund

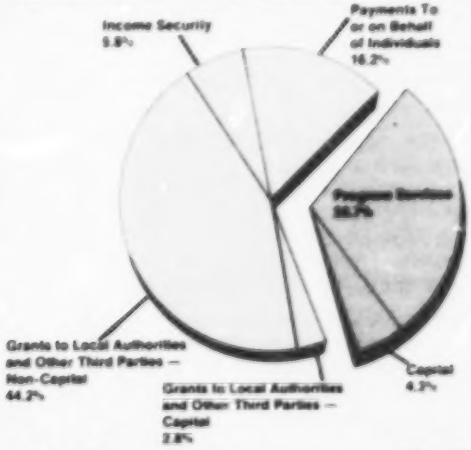
Estimated Combined Budgetary Revenue
For the Year Ending March 31, 1985



Total Revenue $3,011,719,800

Province of Saskatchewan
Consolidated Fund and Saskatchewan Heritage Fund

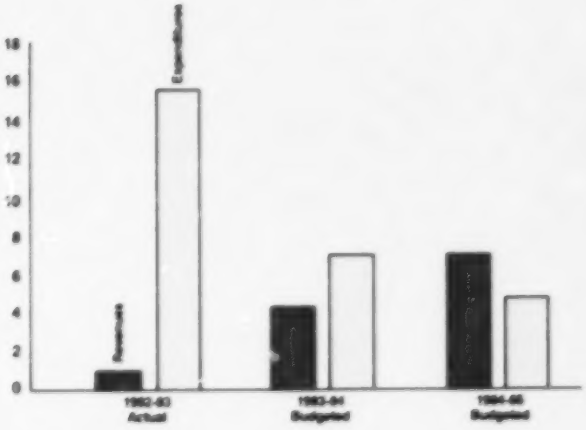
Estimated Combined Budgetary Expenditure
For the Year Ending March 31, 1985


Income Security 9.8%
Payments To or on Behalf of Individuals 16.2%
Program Services 26.7%
Grants to Local Authorities and Other Third Parties — Non-Capital 44.2%
Capital 4.2%
Grants to Local Authorities and Other Third Parties — Capital 2.8%

Total Expenditure $3,278,925,320

Rate of Growth in Total Combined Budgetary Revenues and Expenditures 1982-83 to 1984-85

Rate of Growth (%)



POOR

QUALITY

ORIGINAL